


MEMORANDUM

TO: Docket Control

FROM: Elijah O. Abinah 
Director
Utilities Division

DATE: July 1, 2019

RE: IN THE MATTER OF POSSIBLE MODIFICATIONS TO THE ARIZONA
CORPORATION COMMISSION'S RETAIL ELECTRIC COMPETITION
RULES (DOCKET NO. RE-00000A-18-0405)

SUBJECT: STAFF REPORT REGARDING POSSIBLE MODIFICATIONS TO THE
RETAIL ELECTRIC COMPETITION RULES

Attached for review and discussion is Staff's Report Regarding Possible Modifications to the Arizona Corporation Commission's ("Commission") Retail Electric Competition Rules. Appendix A and B are attached and include: A) Staff proposed language for the Commission's Retail Electric Competition Rules; and B) a red-lined version of the Commission's existing Retail Electric Competition Rules.

Staff will be hosting a Stakeholder Meeting to discuss the Commission's Retail Electric Competition Rules on Tuesday, July 30, 2019, at 10:00 a.m. in Hearing Room 1 of the Commission's Phoenix office. Please contact Matthew Connolly of our Staff via email at MConnolly@azcc.gov should you wish to present on aspects of this topic.

Any party may file comments to the Staff Report with the Commission's Docket Control by 4:00 p.m. on or before **July 11, 2019**.

EOA:SGP:elr/PRP

Originator: Sofia Peirats

Attachments

**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**IN THE MATTER OF POSSIBLE MODIFICATIONS TO THE ARIZONA
CORPORATION COMMISSION'S RETAIL ELECTRIC COMPETITION RULES.**

DOCKET NO. RE-00000A-18-0405

JULY 1, 2019

EXECUTIVE SUMMARY
ARIZONA CORPORATION COMMISSION
DOCKET NO. RE-00000A-18-0405

On December 3, 2018, Staff conducted a stakeholder meeting to address possible modifications to the Commission's Retail Electric Competition Rules ("Rules"). On December 19, 2018, pursuant to Commission directive, Staff opened a rulemaking docket to consider possible modifications to the Rules. In addition, the Commission asked Staff to look at the Commission's current Rules and modify them to best fit Arizona while taking into consideration feedback from Stakeholders.

The purpose of this document is to present an initial draft of Staff's proposed modifications to the current Rules. Staff's initial draft of the Rules was an extensive undertaking. The proposed Rules may yet undergo substantial revisions after the workshop process and informal comment before they are finalized, and the formal rulemaking process begins.

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INTRODUCTION

In order to implement retail electric competition, there is a need for the Arizona Corporation Commission ("Commission") to revisit its existing Retail Electric Competition Rules ("Rules") due to an Arizona Court of Appeals decision, commonly known as the "Phelps Dodge" Decision;¹ increased interest; passage of time; evolving technologies; and the changing marketplace. Pursuant to Commission directive, Staff prepared the following draft rules after consideration of the Phelps Dodge Decision, stakeholder written comments, Commission workshops, Commissioner proposals, and researching retail electric competition in other states.

RETAIL ELECTRIC COMPETITION IN ARIZONA

Beginning in 1994, the Commission began to investigate the introduction of retail electric competition in Arizona. In December 1996, the Commission adopted the Rules, Arizona Administrative Code ("A.A.C.") R14-2-1601 to R14-2-1616, to change the provision of electric generation and related services from a system of regulated monopolies to a competitive one. After multiple revisions of the rules in 1998 and 1999, the Commission approved about 20 Certificates of Convenience and Necessity ("CC&Ns") for entities to provide competitive electric service in Arizona.

Some retail electric competition occurred in 1999 and 2000. The current version of the Rules was adopted by Decision No. 62924 (October 10, 2000). Retail electric competition came to a halt when competitive suppliers returned all their customers to the affected or incumbent utilities following problems in the wholesale market. In 2004, the Phelps Dodge Decision invalidated a number of provisions in the Rules and all of the CC&Ns that had been granted for competitive electric service. In 2013, the Commission revisited the issue of retail electric competition, but took no formal action. In August 2018, the Commission started looking at possible modifications to its current energy rules, which included retail electric competition.

PHELPS DODGE DECISION

Phelps Dodge Corporation v. Arizona Electric Power Cooperative was a consolidated case, in which the state's appellate court was asked to resolve various constitutional, statutory, and administrative challenges to the Rules promulgated by the Commission to implement competition. The Rules challenged in this case were A.A.C. R14-2-1601 to R14-2-1617, which were established in Decision No. 61969 (September 1999).

The Commission was established by Article 15 of the Arizona State Constitution, which explicitly calls for an elected commission. Section 3 of Article 15 provides:

¹ Phelps Dodge v Arizona Elec. Power Coop., 207 Ariz. 95.83 P. 3d 573 (App. 2004).

“The Corporation Commission shall have full power to, and shall, prescribe just and reasonable classifications to be used and just and reasonable rates and charges to be made and collected, by public service corporations within the state for service rendered therein, and make reasonable rules, regulations, and orders, by which such corporations shall be governed in the transaction of business within the state...”

The appellate court determined that A.A.C. R14-2-1611(A) violated the Arizona State Constitution Article 15 Section 3 and thus, was deemed unconstitutional.

Additionally, the court determined that the Commission lacked authority to implement A.A.C. R14-2-1609(C)-(J) and A.A.C. R14-2-1615(A), (C). Lastly, the court ruled that the Commission needed to submit A.A.C R14-2-1603, 1605, 1610, 1612, 1614, and 1617 to the Attorney General for review and certification.

STAFF’S PROPOSED RULES

Staff’s proposed Rules take into account multiple factors such as the Phelps Dodge Decision, evolving technologies, the changing marketplace, stakeholder written comments, Commission workshops, Commissioner proposals, and retail competition provisions from other states.

Initial Proposed Draft of the Rules

The modifications to the Rules are:

- Given the Phelps Dodge Decision, the proposed Rules exclude A.A.C. R14-2-1611(A), 1609(C)-(J) and 1615(A).
- An Affected Utility is defined as the following public service corporation serving electric load in Arizona but excluding any with more than half its customers located outside of Arizona.

Tucson Electric Power Company, Arizona Public Service Company, UNS Electric Company, Arizona Electric Power Cooperative, Trico Electric Cooperative, Duncan Valley Electric Cooperative, Graham County Electric Cooperative, Mohave Electric Cooperative, Sulphur Springs Valley Electric Cooperative, Navopache Electric Cooperative, Ajo Improvement Company, and Morenci Water and Electric Company.

- An Incumbent Utility is defined as the electric utility entity regulated by the Commission that operates, constructs, and maintains the distribution system for the delivery of power to the end user point of delivery on the distribution system.

- Eligible Customers ("Consumers") are defined as all non-residential consumers who use more than 100 kW demand monthly.
- Consumers who do not meet the monthly demand of 100 kW may, within the same service area, aggregate to combine and consolidate their loads, but to be eligible for aggregation the combined load must be of at least 1 MW.
- Community Choice Aggregation ("CCA"), also known as municipal aggregation, is a program that allows local governments to procure power on behalf of their residents, businesses, and municipal accounts from an alternative supplier while still receiving transmission and distribution service from their incumbent utility. Staff is proposing that CCA be allowed in Arizona only for municipalities.
- The Incumbent Utility will be the meter service and meter reading service provider.

APPENDICES

In order to implement retail competition, it is necessary to modify the Commission's Rules. Staff's initial proposal is attached hereto as Appendix A and B.

Appendix A

Appendix A is Staff's proposed language, edits, and modifications to the Commission's Rules.

Appendix B

Appendix B is a redline version of the Commission's Rules.

DRAFT

ARTICLE 16. RETAIL ELECTRIC RESTRUCTURING

R14-2-1601. Definitions

In this Article, unless the context otherwise requires:

1. "Affected Utilities" means the following public service corporation serving electric load in Arizona but excluding any with more than half its customers located outside of Arizona.
Tucson Electric Power Company, Arizona Public Service Company, UNS Electric Company, Arizona Electric Power Cooperative, TriCo Electric Cooperative, Duncan Valley Electric Cooperative, Graham County Electric Cooperative, Mohave Electric Cooperative, Sulphur Springs Valley Electric Cooperative, Navopache Electric Cooperative, Ajo Improvement Company, and Morenci Water and Electric Company.
2. "Aggregation" means the combination and consolidation of loads of multiple customers within the service area granted to the Electric Service Provider under the terms of its Certificate of Convenience and Necessity.
3. "Aggregator" means an Electric Service Provider that, as part of its business, combines non-residential retail electric customers into a purchasing group.
4. "Ancillary Services" means those services designated as ancillary services in Federal Energy Regulatory Commission Order 888, including the services necessary to support the transmission of electricity from resource to load while maintaining reliable operation of the transmission system in accordance with good utility practice.
5. "Bundled Service" means electric service provided as a package to the consumer including all generation, transmission, distribution, ancillary and other services necessary to deliver and measure useful electric energy and power to consumers.
6. "Commission" means Arizona Corporation Commission.
7. "Competition Transition Charge" (CTC) is a means of recovering Stranded Costs.
8. "Competitive Services" means all aspects of retail electric service except those services specifically defined as "Noncompetitive Services" pursuant to R14-2-1601(30) or noncompetitive services as defined by the Federal Energy Regulatory Commission.
9. "Consumer Education" is the provision of impartial information to consumers about competition or Competitive and Noncompetitive Services and is distinct from advertising and marketing.
10. "Control Area Operator" is the operator of an electric system or systems, bounded by interconnection metering and telemetry, capable of controlling generation to maintain its interchange schedule with other such systems and contributing to frequency regulation of the interconnection.
11. "Community Choice Aggregation ("CCA") also known as municipal aggregation, is a program that allows local governments to procure power on behalf of their residents, businesses, and municipal accounts from an alternative supplier while still receiving transmission and distribution service from their Affected or Incumbent utility provider.
12. "Current Transformer" (CT) is an electrical device used in conjunction with an electric meter to provide a measurement of energy consumption for metering purposes.
13. "Delinquent Accounts" means customer accounts with outstanding past-due payment obligations that remain unpaid after the due date.
14. "Direct Access Service Request" (DASR) means a form that contains all necessary billing

- and metering information to allow customers to switch electric service providers. This form must be submitted to the Affected or Incumbent Utility by the customer's Electric Service Provider.
15. "Distribution Primary Voltage" is voltage as defined under the Affected Utility's Federal Energy Regulatory Commission (FERC) Open Access Transmission Tariff, except for Meter Service Providers, for which Distribution Primary Voltage is voltage at or above 600 volts (600V) through and including 25 kilovolts (25 kV).
 16. "Distribution Service" means the delivery of electricity to a retail consumer through wires, transformers, and other devices that are not classified as transmission services subject to the jurisdiction of the Federal Energy Regulatory Commission; Distribution Service excludes Metering Services, Meter Reading Services, and billing and collection services, as those terms are used herein.
 17. "Electric Service Provider" (ESP) means a company supplying, marketing, or brokering at retail any Competitive Services pursuant to a Certificate of Convenience and Necessity.
 18. "Electric Service Provider Service Acquisition Agreement" or "Service Acquisition Agreement" means a contract between an Electric Service Provider and an Incumbent or Affected Utility to deliver power to retail end users or between an Electric Service Provider and a Scheduling Coordinator to schedule transmission service.
 19. "Electronic Data Interchange" (EDI) is the computer-to-computer electronic exchange of business documents using standard formats which are recognized both nationally and internationally.
 20. "Eligible Customers" or "Consumers" means all non-residential consumers who use more than 100kW demand monthly.
 21. "Generation" means the production of electric power or contract rights to the receipt of wholesale electric power.
 22. "Incumbent Utility" means the electric utility entity regulated by the Commission that operates, constructs, and maintains the distribution system for the delivery of power to the end user point of delivery on the distribution system.
 23. "Load Profiling" is a process of estimating a customer's hourly energy consumption based on measurements of similar customers.
 24. "Load-Serving Entity" means an Electric Service Provider, Affected Utility, or Incumbent Utility.
 25. "Meter Number" is a unique, permanent, identification number used to identify each service delivery point.
 26. "Meter Reading Service" means all functions related to the collection and storage of consumption data.
 27. "Meter Reading Service Provider" (MRSP) means an Affected or Incumbent Utility.
 28. "Meter Service Provider" (MSP) means an Affected or Incumbent Utility.
 29. "Metering and Metering Service" means all functions related to measuring electricity consumption.
 30. "Must-Run Generating Units" are those local generating units that are required to run to maintain distribution system reliability and to meet load requirements in times of congestion on certain portions of the interconnected transmission grid.
 31. "Noncompetitive Services" means Distribution Service, Standard Offer Service, transmission, Metering, Meter Reading Service and any ancillary services deemed to be non-competitive by the Federal Energy Regulatory Commission, Must-Run Generating

- Units services, provision of customer demand and energy data by an Affected Utility or Incumbent Utility Distribution Company to Electric Service Providers.
32. "Operating Reserve" means the generation capability above firm system demand used to provide for regulation, load forecasting error, equipment forced and scheduled outages, and local area protection to provide system reliability.
33. "Provider of Last Resort" ("POLR") means a provider required to provide service to any customer in a service area that requests it, even if serving that customer would not be economically viable at prevailing rates.
34. "Retail Electric Customer" means the person or entity in whose name service is rendered.
35. "Scheduling Coordinator" means an entity that provides schedules for power transactions over transmission or distribution systems to the party responsible for the operation and control of the transmission grid, such as a Control Area Operator.
36. "Self-Aggregation" is the action of a retail electric customer that combines its own metered loads into a single purchase block.
37. "Standard Offer Service" means Bundled Service offered by the Affected Utility or Incumbent Utility to all eligible customers in the Affected Utility's or Incumbent Utility service territory at regulated rates including metering, meter reading, billing and collection services, demand side management services including but not limited to time-of-use, and consumer information services. All components of Standard Offer Service shall be deemed noncompetitive as long as those components are provided in a bundled transaction under R14-2-1606(A).
38. "Stranded Cost" includes:
- a) The verifiable net difference between:
 - i. The net original cost of all the prudent jurisdictional assets and obligations necessary to furnish electricity (such as generating plants, purchased power contracts, fuel contracts, and regulatory assets), acquired or entered into prior to (date TBD), under traditional regulation of Affected and Incumbent Utilities; and
 - ii. The market value of those assets and obligations directly attributable to the introduction of competition under this Article;
 - b) Reasonable costs necessarily incurred by an Affected or Incumbent Utility to effectuate divestiture of its generation assets;
 - c) Reasonable employee severance and retraining costs necessitated by electric competition, where not otherwise provided; and
 - d) Other transition and restructuring costs as approved by the Commission as part of the Affected or Incumbent Utility's Stranded Cost determination under R14-2-1607.
39. "System Benefits" means Commission-approved utility low income, demand side management, Consumer Education, environmental, renewables, long-term public benefit research and development, and nuclear fuel disposal and nuclear power plant decommissioning programs, and other programs that may be approved by the Commission from time to time.
40. "Transmission Primary Voltage" is voltage above 25 kV as it relates to metering transformers.
41. "Transmission Service" refers to the transmission of electricity to retail electric customers or to electric distribution facilities and that is so classified by the Federal Energy Regulatory Commission or, to the extent permitted by law, so classified by the Commission.

42. "Unbundled Service" means electric service elements provided and priced separately, including, but not limited to, such service elements as generation, transmission, distribution, Must Run Generation, billing and collection, and ancillary services. Unbundled Service may be sold to consumers or to other Electric Service Providers.
43. "Utility Industry Group" (UIG) refers to the utility industry association that establishes national standards for data formats.

R14-2-1602. Commencement of Competition

- A. An Affected or Incumbent Utility's customers will be eligible for competitive electric services, subject to the Competitive Transition requirements in R14-2-1604, on the date set by Commission Order in each Affected or Incumbent Utility's Stranded Cost and Unbundled Tariff proceeding.
- B. An Affected or Incumbent Utility's competitive electric affiliates or an affiliate of which it is a member shall not be permitted to offer Competitive Services in any other Affected or Incumbent Utility's service territory until the Commission has ordered the service area of the potential competitor's affiliated Affected or Incumbent Utility opened to competition.

R14-2-1603. Certificates of Convenience and Necessity

- A. Any Electric Service Provider intending to supply Competitive Services shall obtain a Certificate of Convenience and Necessity from the Commission pursuant to this Article. An Affected or Incumbent Utility need not apply for a Certificate of Convenience and Necessity to continue to provide electric service in its service area during the transition period set forth in R14-2-1604. An Incumbent or Affected Utility providing Standard Offer Service, or services authorized in R14-2-1615, after [Date TBD], need not apply for a Certificate of Convenience and Necessity. All other Affected Utility affiliates created in compliance with R14-2-1615(A) shall be required to apply for appropriate Certificates of Convenience and Necessity.
- B. Any company desiring such a Certificate of Convenience and Necessity shall e-file with Docket Control Center the application. In support of the request for a Certificate of Convenience and Necessity, the following information must be provided:
 1. A description of the electric services that the applicant intends to offer;
 2. The proper name and correct address of the applicant, and
 - a) The full name of the owner if a sole proprietorship,
 - b) The full name of each partner if a partnership,
 - c) A full list of officers and directors if a corporation, or
 - d) A full list of the members if a limited liability corporation;
 3. A tariff for each service to be provided that states the maximum rate and terms and conditions that will apply to the provision of the service;
 4. A description of the applicant's technical ability to obtain and deliver electricity if appropriate and to provide any other proposed services;
 5. Documentation of the financial capability of the applicant to provide the proposed services, including the most recent income statement and balance sheet, the most recent projected income statement, and other pertinent financial information. Audited information shall be provided if available;
 6. A description of the form of ownership (for example, partnership, corporation);
 7. For an applicant that is an affiliate of an Affected or Incumbent Utility, a statement of whether the Affected or Incumbent Utility has complied with the requirements

of R14-2-1616, including the Commission Decision approving the Code of Conduct, where applicable; and

8. Such other information as the Commission or the staff may request.
- C. The applicant shall report in a timely manner during the application process any changes in the information initially reported to the Commission in the application for a Certificate of Convenience and Necessity.
- D. The applicant shall provide public notice of the application as required by the Commission.
- E. At the time of filing for a Certificate of Convenience and Necessity, each applicant shall notify the Affected Utilities or Incumbent Utility in whose service territories it wishes to offer service by providing a copy of the application to the Affected Utilities or Incumbent Utility. No later than 10 days after application is filed, each applicant shall provide written notice to the Commission, through Docket Control, that it has provided notification to each of the respective Affected Utilities or Incumbent Utility. The attachment to the CC&N application should include a listing of the names and addresses of the notified Affected Utilities, Incumbent Utility.
- F. The Commission may issue a Certificate of Convenience and Necessity that is effective for a specified period of time if the applicant has limited or no experience in providing the retail electric service that is being requested. An applicant receiving such approval shall have the responsibility to apply for appropriate extensions.
- G. The Commission may deny certification to any applicant who:
 1. Does not provide the information required by this Article;
 2. Does not possess adequate technical or financial capabilities to provide the proposed services;
 3. Seeks certification as a Load-Serving Entity and does not have an Electric Service Provider Service Acquisition Agreement with an Incumbent Utility and Scheduling Coordinator, if the applicant is not its own Scheduling Coordinator;
 4. Fails to provide a performance bond, if required;
 5. Fails to demonstrate that its certification will serve the public interest;
 6. Seeks certification as a Load-Serving Entity and fails to submit an executed Service Acquisition Agreement with an Incumbent or Affected Utility or a Scheduling Coordinator for approval by the Director, Utilities Division, prior to the offering of service to potential customers. Agreements are to be filed with the Compliance Section, Utilities Division.
- H. A Request for approval of an executed Service Acquisition Agreement may be included with an application for a Certificate of Convenience and Necessity. In all negotiations relative to Service Acquisition Agreements, Affected or Incumbent Utilities or their successor entities are required to negotiate in good faith.
- I. Every Electric Service Provider obtaining a Certificate of Convenience and Necessity under this Article shall obtain certification subject to the following conditions:
 1. The Electric Service Provider shall comply with all Commission rules, orders, and other requirements relevant to the provision of electric service;
 2. The Electric Service Provider shall maintain accounts and records as required by the Commission;
 3. The Electric Service Provider shall file with the Director, Utilities Division, through the Compliance Section, all financial and other reports that the Commission may require and in a form and at such times as the Commission may designate;

4. The Electric Service Provider shall maintain on file with the Commission all current tariffs and any service standards that the Commission shall require;
 5. The Electric Service Provider shall cooperate with any Commission investigation of customer complaints;
 6. The Electric Service Provider shall obtain all necessary permits and licenses, including relevant tax licenses;
 7. The Electric Service Provider shall comply with all disclosure requirements pursuant to R14-2-1617;
 8. Failure to comply with any of the above conditions may result in rescission of the Electric Service Provider's Certificate of Convenience and Necessity.
- J. In appropriate circumstances, the Commission may require, as a precondition to certification, the procurement of a performance bond sufficient to cover any advances or deposits the applicant may collect from its customers, or order that such advances or deposits be held in escrow or trust.
- K. Time-frames for processing applications for Certificates of Convenience and Necessity
1. This rule prescribes time-frames for the processing of any application for a Certificate of Convenience and Necessity issued by the Arizona Corporation Commission pursuant to this Article. These time-frames shall apply to applications filed on or after the effective date of this rule.
 2. Within 120 calendar days after receipt of an application for a new Certificate of Convenience and Necessity, or to amend or change the status of any existing Certificate of Convenience and Necessity, staff shall notify the applicant, in writing, that the application is either administratively complete or deficient. If the application is deficient, the notice shall specify all deficiencies.
 3. Staff may terminate an application if the applicant does not remedy all deficiencies within 60 calendar days of the notice of deficiency.
 4. After receipt of a corrected application, staff shall notify the applicant within 90 calendar days if the corrected application is either administratively complete or deficient. The time-frame for administrative completeness review shall be suspended from the time the notice of deficiency is issued until staff determines that the application is complete.
 5. Within 180 calendar days after an application is deemed administratively complete, the Commission shall approve or reject the application.
 6. For purposes of A.R.S. § 41-1072, et seq., the Commission has established the following time-frames:
 - a. Administrative completeness review time-frame: 120 calendar days;
 - b. Substantive review time-frame: 180 calendar days;
 - c. Overall time-frame: 300 calendar days.
 7. If an applicant requests, and is granted, an extension or continuance, the appropriate time-frames shall be tolled from the date of the request during the duration of the extension or continuance.
 8. During the substantive review time-frame, the Commission may, upon its own motion or that of any interested party to the proceeding, request a suspension of the time-frame rules.

R14-2-1604. Competitive Transition

- A. At the date established under R14-2-1602(A), each Affected or Incumbent Utility shall

make available at least 10 percent of its [Date TBD], system retail peak demand for competitive generation supply on a first-come, first-served basis as further described in this rule. First-come, first-served, for the purpose of this rule, shall be determined for customers by the date and time of an Electric Service Provider's filing of a Direct Access Service Request with the Affected Utility or an Incumbent Utility. The effective date of the Direct Access Service Request must be within 60 days of the filing date of the Direct Access Service Request.

1. All Affected or Incumbent Utility customers with non-residential non-coincident peak demand load greater than 100 kW will be eligible for competitive electric services upon the commencement of competition.
 2. A CCA or Electric Service Provider may aggregate into a minimum combined load of 1 MW or greater within an Affected or Incumbent Utility's service territory and be eligible for competitive electric services.
 3. Affected or Incumbent Utilities shall notify customers eligible under this subsection of the terms of the subsection no later than 60 days prior to the start of competition within its service territory.
 4. Effective [Date TBD], all eligible Affected or Incumbent Utility non-residential customers will qualify for Aggregation and Self-Aggregation. Aggregation and Self-Aggregation customers purchasing their electricity and related services at any time after the effective date of these rules must do so from a certificated Electric Provider as provided for in these rules.
- B.** All eligible customers shall be able to obtain competitive electric services no later than [Date TBD].
- C.** Retail consumers served under existing contracts are eligible to participate in the competitive market prior to expiration of the existing contract only if the Affected or Incumbent Utility and the consumer agree that the retail consumer may participate in the competitive market.
- D. Schedule Modifications for Cooperatives**
1. An electric cooperative may request that the Commission modify the schedule described in subsections (A) through (E) so as to preserve the tax-exempt status of the cooperative or to allow time to modify contractual arrangements pertaining to delivery of power supplies and associated loans.
 2. As part of the request, the cooperative shall propose methods to enhance consumer choice among generation resources.
 3. The Commission shall consider whether the benefits of modifying the schedule exceed the costs of modifying the schedule.

R14-2-1605. Competitive Services

Competitive Services as defined in 2-1601(8) shall require a Certificate of Convenience and Necessity and a tariff as described in R14-2-1603. A properly certificated Electric Service Provider may offer Competitive Services under bilateral or multilateral contracts with retail consumers.

R14-2-1606. Services Required to be Made Available

- A.** On the date its service area is open to competition under R14-2-1602, each Affected Utility or Incumbent Utility shall make available Standard Offer Service and Noncompetitive Services at regulated rates. After [Date TBD], Standard Offer Service and Noncompetitive Services shall be provided by Incumbent or Affected Utilities who shall also act as

Providers of Last Resort.

- B. After [Date TBD], power purchased by an investor owned Incumbent or Affected Utility for Standard Offer Service shall be acquired from the competitive market through prudent, arm's length transactions, and with at least 50 percent through a competitive bid process.
- C. Standard Offer Tariffs
 - 1. By [Date TBD], or pursuant to Commission Order, whichever occurs first, each Affected or Incumbent Utility shall file proposed tariffs to provide Standard Offer Service. Such rates shall not become effective until approved by the Commission. Any rate increase proposed by an Affected Utility or Incumbent Utility for Standard Offer Service must be fully justified through a rate case proceeding.
 - 2. Standard Offer Service tariffs shall include the following elements, each of which shall be clearly unbundled and identified in the filed tariffs:
 - a. Competitive Services:
 - i. Generation, which shall include all transaction costs and line losses;
 - ii. Competition Transition Charge, which shall include recovery of generation related regulatory assets;
 - iii. Generation-related billing and collection;
 - iv. Transmission Services; and
 - v. Optional Ancillary Services, which shall include spinning reserve service, supplemental reserve, regulation and frequency response service, and energy imbalance service
 - b. Non-Competitive Services:
 - i. Distribution services;
 - ii. Metering Services;
 - iii. Meter Reading Services;
 - iv. Required Ancillary services, which shall include scheduling, system control and dispatch service, and reactive supply and voltage control from generation sources service;
 - v. Must-Run Generating Units;
 - vi. System Benefit Charges; and
 - vii. Distribution-related billing and collection.
 - 3. Affected and Incumbent Utilities may file proposed revisions to such rates with the Commission through Docket Control. Any rate increase proposed by an Affected Utility or Incumbent Utility for Standard Offer Service must be fully justified through a rate case proceeding, which may be expedited at the discretion of the Utilities Division Director.
 - 4. Such rates shall reflect the costs of providing the service.
 - 5. Consumers receiving Standard Offer Service are eligible for potential future rate reductions as authorized by the Commission.
 - 6. After [Date TBD], tariffs for Standard Offer Service shall not include any special discounts or contracts with terms, or any tariff that prevents the customer from accessing a competitive option, other than time-of-use rates, interruptible rates, or self-generation deferral rates.
- D. By the effective date of these rules, or pursuant to Commission Order, whichever occurs first, each Affected Utility or Incumbent Utility shall file an Unbundled Service tariff that

shall include a Noncompetitive Services tariff. The Unbundled Service tariff shall calculate the items listed in R14-2-1606(C)(2)(b) on the same basis as those items are calculated in the Standard Offer Service tariff.

- E. To manage its risks, an Affected or Incumbent Utility or Electric Service Provider may include in its tariffs deposit requirements and advance payment requirements for Unbundled Services.
- F. Affected Utilities and Incumbent Utility must accept power and energy delivered to their distribution systems by other Load-Serving Entities and offer distribution and distribution-related ancillary services comparable to services they provide to themselves at their Noncompetitive Services tariffed rates.
- G. Customer Data
 - 1. Upon written authorization by the customer, a Load-Serving Entity shall release in a timely and useful manner that customer's billing data, including consumption, demand, and power factor (if available), for the most recent 12-month period to a customer-specified properly certificated Electric Service Provider.
 - 2. The Electric Service Provider requesting such customer data shall provide an accurate account number for the customer.
 - 3. An Incumbent or Affected Utility shall perform the Meter Reading Service for non-residential customers served by the Utility Distribution Company's distribution system.
- H. Rates for Unbundled Services
 - 1. The Commission shall review and approve rates for Competitive Services and Noncompetitive Services subject to Commission jurisdiction, before such services can be offered.
 - 2. Such rates shall reflect the costs of providing the services.
 - 3. Such rates may be downwardly flexible if approved by the Commission.
- I. Electric Service Providers offering Competitive Services under this R14-2-1606 shall provide adequate supporting documentation for their proposed rates. Where rates are approved by another jurisdiction, such as the Federal Energy Regulatory Commission, those rates shall be provided as part of the supporting documentation.

R14-2-1607. Recovery of Stranded Cost of Affected Utilities

- A. The Affected Utilities shall take every reasonable, cost-effective measure to mitigate or offset Stranded Cost by reducing costs, expanding wholesale or retail markets, or offering a wider scope of permitted regulated utility services for profit, among others.
- B. The Commission shall allow a reasonable opportunity for recovery of unmitigated Stranded Cost by Utilities.
- C. The Affected or Incumbent Utility shall file estimates of unmitigated Stranded Cost on or before [Date TBD], or pursuant to Commission Order, whichever occurs first. Such estimates shall be fully supported by analyses and by records of market transactions undertaken by willing buyers and willing sellers.
- D. An Affected or Incumbent Utility shall request Commission approval, on or before [Date TBD], or pursuant to Commission Order, whichever occurs first, of distribution charges or other means of recovering unmitigated Stranded Cost. The filing may include a discounted stranded cost exit methodology that a consumer may choose to use to determine an amount due the Affected or Incumbent Utility in lieu of making monthly distribution charge or other payments.

- E. The Commission shall, after hearing and consideration of analyses and recommendations presented by the Affected or Incumbent Utilities, staff, and intervenors, determine for each Affected or Incumbent Utility the magnitude of Stranded Cost, and appropriate Stranded Cost recovery mechanisms and charges. In making its determination of mechanisms and charges, the Commission shall consider at least the following factors:
1. The impact of Stranded Cost recovery on the effectiveness of competition;
 2. The impact of Stranded Cost recovery on customers of the Affected or Incumbent Utility who do not participate in the competitive market;
 3. The impact, if any, on the Affected or Incumbent Utility's ability to meet debt obligations;
 4. The impact of Stranded Cost recovery on prices paid by consumers who participate in the competitive market;
 5. The degree to which the Affected or Incumbent Utility has mitigated or offset Stranded Cost;
 6. The degree to which some assets have values in excess of their book values;
 7. Appropriate treatment of negative Stranded Cost;
 8. The time period over which such Stranded Cost charges may be recovered. The Commission shall limit the application of such charges to a specified time period;
 9. The applicability of Stranded Cost to interruptible customers.
- F. A Competition Transition Charge (CTC) may be assessed on all retail customers based on the amount of generation purchased from any supplier. Any reduction in electricity purchases from an Affected or Incumbent Utility resulting from self-generation, demand side management, or other demand reduction attributable to any cause other than the retail access provisions of this Article shall not be used to calculate or recover any Stranded Cost from a consumer.
- G. Stranded Cost shall be recovered from customer classes in a manner consistent with the specific company's current rate treatment of the stranded asset, in order to effect a recovery of Stranded Cost that is in substantially the same proportion as the recovery of similar costs from customers or customer classes under current rates. In no event shall the Competition Transition Charge be utilized as a mechanism for double recovery of Stranded Cost from Standard Offer Service customers.
- H. The Commission may consider securitization as a financing method for recovery of Stranded Cost of the Affected Utility if the Commission finds that such method of financing will result in a lower cost alternative to customers.
- I. The Commission may, after notice and hearing, order regular revisions to estimates of the magnitude of Stranded Cost.

R14-2-1608. System Benefits Charges

- A. Each Affected Utility or Incumbent Utility shall file for Commission review non-bypassable rates or related mechanisms to recover the applicable pro-rata costs of System Benefits from all consumers located in the Affected Utility's or Incumbent Utility's service area. Affected Utilities or Incumbent Utilities shall file for review of the Systems Benefits Charge at least every three years. The amount collected annually through the System Benefits charge shall be sufficient to fund the Affected Utilities' or Incumbent Utilities Commission-approved System Benefits. Filings shall be made with the Commission through Docket Control.
- B. Each Affected Utility or Incumbent Utility shall provide adequate supporting

documentation for its proposed rates for System Benefits.

- C. An Affected Utility or Incumbent Utility shall recover the costs of System Benefits only upon hearing and approval by the Commission of the recovery charge and mechanism. The Commission may combine its review of System Benefits charges with its review of filings pursuant to R14-2-1606.

R14-2-1609. Transmission and Distribution Access

- A. The Affected Utilities shall provide nondiscriminatory open access to transmission and distribution facilities to serve all non-residential customers. No preference or priority shall be given to any distribution customer based on whether the customer is purchasing power under the Affected Utility's Standard Offer or in the competitive market. Any transmission capacity that is reserved for use by the retail customers of the Affected Utility's Incumbent Utility shall be allocated among Standard Offer customers and competitive market customers on a pro-rata basis.
- B. Incumbent Utilities shall retain the obligation to assure that adequate transmission import capability is available to meet the load requirements of all distribution customers within their service areas. Incumbent Utilities shall retain the obligation to assure that adequate distribution system capacity is available to meet the load requirements of all distribution customers within their service areas.

R14-2-1610. Rates

- A. Each Electric Service Provider selling services under this Article shall have on file with the Commission tariffs describing such services, minimum, current and maximum rates for those services, but the services may not be provided until the Commission has approved the tariffs.
- B. Prior to [Date TBD], competitively negotiated contracts governed by this Article customized to individual customers which comply with approved tariffs do not require further Commission approval. However, all such contracts whose term is one year or more and for service of 1 MW or more must be filed with the Director, Utilities Division, through the Compliance Section, as soon as practicable. If a contract does not comply with the provisions of the Load Serving Entity's approved tariffs, it shall not become effective without a Commission order. The provisions of such contracts shall be kept confidential by the Commission.
- C. Contracts entered into on or after [Date TBD], which comply with approved tariffs need not be filed with the Director, Utilities Division. If a contract does not comply with the provisions of the Load Serving Entity's approved tariffs, it shall not become effective without a Commission order.
- D. An Electric Service Provider holding a Certificate pursuant to this Article may price its Competitive Services, at or below the maximum rates specified in its filed tariff, provided that the price is not less than the marginal cost of providing the service.
- E. Requests for changes in maximum rates or changes in terms and conditions of previously approved tariffs may be filed with the Commission through Docket Control. Such changes shall become effective only upon Commission approval.

R14-2-1611. Service Quality, Consumer Protection, Safety, and Billing Requirements

- A.** Except as indicated elsewhere in this Article and in reference to residential service, R14-2-201 through R14-2-212, , are adopted in this Article by reference. However, where the term "utility" is used in R14-2-201 through R14-2-212, the term "utility" shall pertain to Electric Service Providers providing the services described in each subsection of R14-2-201 through R14-2-212. R14-2- 203(E) and R14-2-212(H) shall pertain only to Utility Distribution Companies.
- B.** The following shall not apply to this Article:
1. R14-2-202 in its entirety,
 2. R14-2-206 in its entirety,
 3. R14-2-207 in its entirety,
 4. R14-2-212 (F)(1),
 5. R14-2-213,
 6. R14-2-208(E) and (F).
- C.** No consumer shall be deemed to have changed providers of any service authorized in this Article (including changes from the Affected or Incumbent Utility to another provider) without written authorization by the consumer for service from the new provider. If a consumer is switched to a different ("new") provider without such written authorization, the new provider shall cause service by the previous provider to be resumed and the new provider shall bear all costs associated with switching the consumer back to the previous provider. A new provider who switches a customer without written authorization shall also refund to the retail electricity customer the entire amount of the customer's electricity charges attributable to the electric generation service from the new provider for three months, or the period of the unauthorized service, whichever is more. An Incumbent or Affected Utility may request the Commission's Consumer Services Section to review or audit written authorizations to assure a customer switch was properly authorized. A written authorization that is obtained by deceit or deceptive practices shall not be deemed a valid written authorization. Electric Service Providers shall submit reports within 30 days of the end of each calendar quarter to the Commission, through the Compliance Section, Utilities Division, itemizing the direct complaints filed by customers who have had their Electric Service Providers changed without their authorization. Violations of the Commission's rules concerning unauthorized changes of providers may result in penalties, or suspension or revocation of the provider's certificate. The following requirements and restrictions shall apply to the written authorization form requesting electric service from the new provider:
1. The authorization shall not contain any inducements;
 2. The authorization shall be in legible print with clear and plain language confirming the rates, terms, conditions, and nature of the service to be provided;
 3. The authorization shall not state or suggest that the customer must take action to retain the customer's current electricity supplier;
 4. The authorization shall be in the same language as any promotional or inducement materials provided to the retail electric customer; and
 5. No box or container may be used to collect entries for sweepstakes or a contest that, at the same time, is used to collect authorization by a retail electric customer to change their electricity supplier or to subscribe to other services.
- D.** Customer-specific information shall not be released without specific prior written

customer authorization unless the information is requested by a law enforcement or other public agency, or is requested by the Commission or its Staff, or is reasonably required for legitimate account collection activities, or is necessary to provide safe and reliable service to the customer.

- E. Each Electric Service Provider providing service governed by this Article shall be responsible for meeting applicable reliability standards and shall work cooperatively with other companies with whom it has interconnections, directly or indirectly, to ensure safe, reliable electric service. Incumbent and Affected Utilities shall make reasonable efforts to notify customers of scheduled outages and also provide notification to the Commission.
- F. Each Electric Service Provider shall provide at least 45 days' written notice to all of its affected consumers of its intent to cease providing generation, transmission, distribution, or ancillary services necessitating that the consumer obtain service from another supplier of generation, transmission, distribution, or ancillary services.
- G. All Electric Service Providers rendering service under this Article shall submit accident reports, through the Compliance Section, as required in R14-2-101.
- H. An Electric Service Provider providing firm electric service governed by this Article shall make reasonable efforts to reestablish service within the shortest possible time when service interruptions occur and shall work cooperatively with other companies to ensure timely restoration of service where facilities are not under the control of the Electric Service Provider.
- I. Electric Service Providers shall give at least five days' notice to their customer of scheduled return to Standard Offer Service. Electric Service Providers shall provide 15 calendar days' notice prior to the next scheduled meter read date to the appropriate Incumbent Utility regarding the intent to terminate a service agreement. Return of that customer to Standard Offer Service will be at the next regular billing cycle if appropriate metering equipment is in place and the request is provided 15 calendar days prior to the next regular meter read date. Responsibility for charges incurred between the notice and the next scheduled read date shall rest with the Electric Service Provider.
- J. Each Electric Service Provider shall ensure that bills rendered on its behalf include its address and the toll-free telephone numbers for billing, service, and safety inquiries. The bill must also include the address and toll-free telephone numbers for the Phoenix and Tucson Consumer Service Sections of the Arizona Corporation Commission Utilities Division. Each Electric Service Provider shall ensure that billing and collections services rendered on its behalf comply with subsection (A).
 - 1. Any person or entity relying on metering information provided by an Affected or Incumbent Utility may request a meter test according to the tariff on file and approved by the Commission. However, if the meter is found to be in error by more than three percent, no meter testing fee will be charged.
 - 2. The Meter Number assigned by the Affected Utility or the Incumbent Utility whose distribution system serves the customer, shall be used to identify each competitive point of delivery.
 - 3. Unless the Commission grants a specific waiver all metered and billing data shall be translated into consistent, statewide formats, approved by the Director, Utilities Division, that shall be used by the Affected Utility or the Incumbent Utility and the Electric Service Provider.
 - 4. Unless the Commission grants a specific waiver, the standardized data exchange

formats approved by the Director, Utilities Division, shall be used for all data exchange transactions from the Meter Reading Service Provider to the Electric Service Provider, Incumbent Utility and Schedule Coordinator. This data will be transferred via the Internet using a secure sockets layer or other secure electronic media.

5. Minimum metering requirements for competitive customers over 100 kW, or 500,000 kWh annually, should consist of hourly consumption measurement meters or meter systems. Predictable loads will be permitted to use load profiles to satisfy the requirements for hourly consumption data. The Load-Serving Entity developing the load profile shall determine if a load is predictable.
 6. Competitive customers with hourly loads of 100 kW (or 500,000 kWh annually) or less will be permitted to use Load Profiling to satisfy the requirements for hourly consumption data.
 7. Metering equipment ownership will be limited to the Affected Utility. OR THE Incumbent Utility
 8. Maintenance and servicing of the metering equipment (including Current Transformers and Potential Transformers) will be limited to the Affected Utility or the Incumbent Utility.
 9. Distribution primary voltage Current Transformers and Potential Transformers may be owned by the Affected Utility. or the Incumbent Utility
 10. Transmission primary voltage Current Transformers and Potential Transformers may be owned by the Affected Utility or the Incumbent Utility.
 11. North American Electric Reliability Council-recognized holidays will be used in calculating "working days" for meter data timeliness requirements. If a holiday officially occurs on a Saturday, the preceding Friday will be recognized as the date of the holiday. If a holiday officially occurs on a Sunday, the following Monday will be recognized as the date of the holiday.
 12. The Director, Utilities Division, shall approve operating procedures to be used by the Meter Service Providers for performing work on metered customers.
 13. The Director, Utilities Division, shall approve operating procedures to be used by the Meter Reading Service Provider for validating, editing, and estimating metering data.
 14. The Director, Utilities Division shall approve performance metering specifications and standards to be used by all entities performing metering.
- K.** Electric Service Providers shall comply with applicable reliability standards and practices established by the Western Systems Coordinating Council and the North American Electric Reliability Council or successor organizations.
- L.** Electric Service Providers shall provide notification and informational materials to consumers about competition and consumer choices, such as a standardized description of services, as ordered by the Commission.
- M.** Billing Elements. After the commencement of competition within a service territory pursuant to R14-2-1602, all customer bills, including bills for Standard Offer Service customers within that service territory, will list, at a minimum, the following billing cost elements:
1. Competitive Services:
 - a. Generation, which shall include generation-related billing and collection;

- b. Competition Transition Charge;
 - c. Transmission and Ancillary Services.;
 - 2. Non-Competitive Services:
 - a. Distribution services, including distribution-related billing and collection, required Ancillary Services and Must-Run Generating Units;
 - b. System Benefit Charges;
 - c. Metering Services; and
 - d. Meter Reading Services.
 - 3. Regulatory assessments; and
 - 4. Applicable taxes.
 - 5. In cases where the Incumbent or Affected Utility and the Electric Service Provider provide separate bills to customers, the Electric Service Provider is not required to list the billing cost elements for non-competitive services. In cases where the Incumbent Utility and the Electric Service Provider provide separate bills to customers, the Incumbent or Affected Utility is not required to list the billing cost elements for competitive services if the customer is obtaining competitive services from an Electric Service Provider.
- N. The operating procedures approved by the Director, Utilities Division, will be used for Direct Access Service Requests as well as other billing and collection transactions.

R14-2-1612. Reporting Requirements

- A. Reports covering the following items, as applicable, shall be submitted to the Director, Utilities Division, through the Compliance Section, by Affected Utilities or Incumbent Utility and all Electric Service Providers granted a Certificate of Convenience and Necessity pursuant to this Article. These reports shall include the following information pertaining to competitive service offerings, Unbundled Services, and Standard Offer services in Arizona:
- 1. Type of services offered;
 - 2. kW and kWh sales to consumers, disaggregated by customer class (for example, , commercial, industrial);
 - 3. Revenues from sales by customer class (for example, , commercial, industrial);
 - 4. Number of retail customers disaggregated as follows: , , commercial/ industrial 100 to 400 kW, commercial/industrial 401 kW to 1000 kW, 1001 kW or more, agricultural (if not included in commercial), and other;
 - 5. Retail kWh sales and revenues disaggregated by term of the contract (less than one year, one to four years, longer than four years), and by type of service (for example, firm, interruptible, other);
 - 6. Amount of revenues from each type of Competitive Service and, if applicable, each type of Noncompetitive Service provided (using breakdown from R14-2-1612(O));
 - 7. Value of all assets used to serve Arizona customers and accumulated depreciation;
 - 8. Tabulation of Arizona electric generation plants owned by the Electric Service Provider broken down by generation technology, fuel type, and generation capacity;
 - 9. The number and type of customers aggregated and the amount of aggregated load; and
 - 10. Other data requested by staff or the Commission.

B. Reporting Schedule

- 1. For the period through [Date TBD], semi-annual reports shall be filed by April 15

- (covering the previous period of July through December) and October 15 (covering the previous period of January through June). The first such report shall cover the period [Date TBD], through [Date TBD].
2. For the period after [Date TBD], annual reports shall be filed by April 15 (covering the previous period of January through December). The first such report shall cover the period [Date TBD], through [Date TBD].
 - C. The information listed above may, at the provider's option, be provided on a confidential basis. However, staff or the Commission may issue reports with aggregate statistics based on confidential information that do not disclose data pertaining to a particular seller or purchases by a particular buyer.
 - D. Any Electric Service Provider, Affected Utility, or Incumbent Utility governed by this Article which fails to file the above data in a timely manner may be subject to a penalty imposed by the Commission or may have its Certificate rescinded by the Commission.
 - E. Any Electric Service Provider holding a Certificate pursuant to this Article shall file a request in Docket Control to discontinue any competitive tariff as soon as practicable after the decision to discontinue offering service is made.
 - F. In addition to the above reporting requirements, Electric Service Providers, Affected and Incumbent Utilities governed by this Article shall participate in Commission workshops or other forums whose purpose is to evaluate competition or assess market issues.

R14-2-1613. Administrative Requirements

- A. Any Electric Service Provider certificated under this Article may file with the Commission, through Docket Control, proposed additional tariffs for Competitive Services at any time which include a description of the service, maximum rates, terms, and conditions.
- B. Contracts filed pursuant to this Article shall not be open to public inspection or made public except on order of the Commission, or by the Commission or a Commissioner in the course of a hearing or proceeding.
- C. The Commission may consider variations or exemptions from the terms or requirements of any of the rules in this Article upon the application of an affected party. The application must set forth the reasons why the public interest will be served by the variation or exemption from the Commission rules and regulations. Any variation or exemption granted shall require an order of the Commission. Where a conflict exists between these rules and an approved tariff or order of the Commission, the provisions of the approved tariff or order of the Commission shall apply.
- D. The Commission may develop procedures for resolving disputes regarding implementation of retail electric competition.
- E. Prior to [Date TBD], the Director, Utilities Division, shall implement a Consumer Education Program as approved by the Commission.

R14-2-1614. Renewable Goal and Standard

Any Load-Serving Entity selling electricity or aggregating customers for the purpose of selling electricity under the provisions of this Article must also meet the renewable goal or standard set in R14-2-#### unless otherwise ordered by the Commission. Incumbent Utilities would recover the cost to meet the renewable goal or standard set in R14-2-#### in base rates as part of the System Benefits Charges. Electric Service Providers would also receive a pro rata share of funds from System Benefit Charges.

R14-2-1615. Code of Conduct

- A. If not previously filed, no later than 90 days after adoption of these Rules, each Affected or Incumbent Utility which plans to offer Non-competitive Services and which plans to offer Competitive Services through its competitive electric affiliate shall propose a Code of Conduct to prevent anti-competitive activities. Each Affected or Incumbent Utility that is an electric cooperative, that plans to offer Noncompetitive Services, and that is a member of any electric cooperative that plans to offer Competitive Services shall also submit a Code of Conduct to prevent anti-competitive activities. All Codes of Conduct shall be filed in Docket Control and be subject to Commission approval after a hearing.
- B. The Code of Conduct shall address the following subjects:
 - 1. Appropriate procedures to prevent cross subsidization between the Incumbent Utility and any competitive affiliates, including but not limited to the maintenance of separate books, records, and accounts;
 - 2. Appropriate procedures to ensure that the Affected or Incumbent Utility's competitive affiliate does not have access to confidential utility information that is not also available to other market participants;
 - 3. Appropriate guidelines to limit the joint employment of personnel by both an Incumbent or Affected Utility and its competitive affiliate;
 - 4. Appropriate guidelines to govern the use of the Incumbent or Affected Utility's name or logo by the Incumbent or Affected Utility's competitive affiliate;
 - 5. Appropriate procedures to ensure that the Incumbent or Affected Utility does not give its competitive affiliate any preferential treatment such that other market participants are unfairly disadvantaged or discriminated against;
 - 6. Appropriate policies to eliminate joint advertising, joint marketing, or joint sales by an Incumbent or Affected Utility and its competitive affiliate;
 - 7. Appropriate procedures to govern transactions between an Incumbent or Affected Utility and its competitive affiliate; and
 - 8. Appropriate policies to prevent the Incumbent or Affected Utility and its competitive affiliate from representing that customers will receive better service as a result of the affiliation.
 - 9. Complaints concerning violations of the Code of Conduct shall be processed under the procedures established in R14-2-212.

R14-2-1616. Disclosure of Information

- A. Each Load-Serving Entity providing either generation service or Standard Offer Service shall prepare a consumer information label that sets forth the following information:
 - 1. Price to be charged for generation services,
 - 2. Price variability information,
 - 3. Customer service information,
 - 4. Time period to which the reported information applies.
- B. Each Load-Serving Entity providing either generation service or Standard Offer Service shall provide, upon request, the following information (to the extent reasonably known):
 - 1. Composition of resource portfolio,
 - 2. Fuel mix characteristics of the resource portfolio,
 - 3. Emissions characteristics of the resource portfolio.
- C. The Director, Utilities Division, shall develop the format and reporting requirements for the consumer information label to ensure that the information is appropriately and

accurately reported and to ensure that customers can use the labels for comparisons among Load-Serving Entities. The format developed by the Director, Utilities Division, shall be used by each Load-Serving Entity.

- D. Each Load-Serving Entity shall include the information disclosure label in a prominent position in all written marketing materials specifically targeted to Arizona. When a Load-Serving Entity advertises in nonprint media, or in written materials not specifically targeted to Arizona, the marketing materials shall indicate that the Load-Serving Entity shall provide the consumer information label to the public upon request.
- E. Each Load-Serving Entity shall prepare an annual disclosure report that aggregates the resource portfolios of the Load-Serving Entity and its affiliates.
- F. Each Load-Serving Entity shall prepare a statement of its terms of service that sets forth the following information:
 - 1. Actual pricing structure or rate design according to which the customer with a load of less than 1 MW will be billed, including an explanation of price variability and price level adjustments that may cause the price to vary;
 - 2. Length and description of the applicable contract and provisions and conditions for early termination by either party;
 - 3. Due date of bills and consequences of late payment;
 - 4. Conditions under which a credit agency is contacted;
 - 5. Deposit requirements and interest on deposits;
 - 6. Limits on warranties and damages;
 - 7. All charges, fees, and penalties;
 - 8. Information on consumer rights pertaining to estimated bills, third-party billing, deferred payments, and recision of supplier switches within three days of receipt of confirmation;
 - 9. A toll-free telephone number for service complaints;
 - 10. Provisions for default service;
 - 11. Applicable provisions of state utility laws; and
 - 12. Method whereby customers will be notified of changes to the terms of service.
- G. The consumer information label, the disclosure report, and the terms of service shall be distributed in accordance with the following requirements:
 - 1. Prior to the initiation of service for any retail customer,
 - 2. Prior to processing written authorization from a retail customer with a load of less than 1 MW to change Electric Service Providers,
 - 3. To any person upon request,
 - 4. Made a part of the semi-annual and annual reports required by R14-2-1613.
 - 5. The information described in this subsection shall be posted on any electronic information medium of the Load-serving Entities.
- H. Failure to comply with the rules on information disclosure or dissemination of inaccurate information may result in suspension or revocation of certification or other penalties as determined by the Commission.
- I. The Commission shall establish a consumer information advisory panel to review the effectiveness of the provisions of this Section and to make recommendations for changes in the rules.

DRAFT

ARTICLE 16. RETAIL ELECTRIC ~~COMPETITION~~RESTRUCTURING

R14-2-1601. Definitions

In this Article, unless the context otherwise requires:

1. "Affected Utilities" means the following public service corporations serving electric load in Arizona but excluding any with more than half its customers located outside of Arizona, providing electric service:
Tucson Electric Power Company, Arizona Public Service Company, ~~Citizens Utilities~~UNS Electric Company, Arizona Electric Power Cooperative, Trico Electric Cooperative, Duncan Valley Electric Cooperative, Graham County Electric Cooperative, Mohave Electric Cooperative, Sulphur Springs Valley Electric Cooperative, Navopache Electric Cooperative, Ajo Improvement Company, and Morenci Water and Electric Company.
2. "Aggregation" means the combination and consolidation of loads of multiple customers within the same service area granted to the Electric Service Provider under the terms of its Certificate of Convenience and Necessity.
3. "Aggregator" means an Electric Service Provider that, as part of its business, combines non-residential retail electric customers into a purchasing group.
4. "Ancillary Services" means those services designated as ancillary services in Federal Energy Regulatory Commission Order 888, including the services necessary to support the transmission of electricity from resource to load while maintaining reliable operation of the transmission system in accordance with good utility practice.
5. "Bundled Service" means electric service provided as a package to the consumer including all generation, transmission, distribution, ancillary and other services necessary to deliver and measure useful electric energy and power to consumers.
- 5.6. "Commission" means Arizona Corporation Commission.
- 6.7. "Competition Transition Charge" (CTC) is a means of recovering Stranded Costs.
- 7.8. "Competitive Services" means all aspects of retail electric service except those services specifically defined as "Noncompetitive Services" pursuant to R14-2-1601(3029) or noncompetitive services as defined by the Federal Energy Regulatory Commission.
- 8.9. "Consumer Education" is the provision of impartial information to consumers about competition or Competitive and Noncompetitive Services and is distinct from advertising and marketing.
10. "Control Area Operator" is the operator of an electric system or systems, bounded by interconnection metering and telemetry, capable of controlling generation to maintain its interchange schedule with other such systems and contributing to frequency regulation of the interconnection.
- 9.11. "Community Choice Aggregation ("CCA") also known as municipal aggregation, is a program that allows local governments to procure power on behalf of their residents, businesses, and municipal accounts from an alternative supplier while still receiving transmission and distribution service from their Affected or Incumbent utility provider.
- 10.12. "Current Transformer" (CT) is an electrical device used in conjunction with an electric meter to provide a measurement of energy consumption for metering purposes.
- 11.13. "Delinquent Accounts" means customer accounts with outstanding past-due payment

- obligations that remain unpaid after the due date.
- ~~12.14~~ 14.14 "Direct Access Service Request" (DASR) means a form that contains all necessary billing and metering information to allow customers to switch electric service providers. This form must be submitted to the Affected or Incumbent Utility ~~Utility Distribution Company~~ by the customer's Electric Service Provider.
- ~~13.15~~ 13.15 "Distribution Primary Voltage" is voltage as defined under the Affected Utility's Federal Energy Regulatory Commission (FERC) Open Access Transmission Tariff, except for Meter Service Providers, for which Distribution Primary Voltage is voltage at or above 600 volts (600V) through and including 25 kilovolts (25 kV).
- ~~14.16~~ 14.16 "Distribution Service" means the delivery of electricity to a retail consumer through wires, transformers, and other devices that are not classified as transmission services subject to the jurisdiction of the Federal Energy Regulatory Commission; Distribution Service excludes Metering Services, Meter Reading Services, and billing and collection services, as those terms are used herein.
- ~~15.17~~ 15.17 "Electric Service Provider" (ESP) means a company supplying, marketing, or brokering at retail any Competitive Services pursuant to a Certificate of Convenience and Necessity.
- ~~16.18~~ 16.18 "Electric Service Provider Service Acquisition Agreement" or "Service Acquisition Agreement" means a contract between an Electric Service Provider and an Incumbent or Affected Utility ~~Utility Distribution Company~~ to deliver power to retail end users or between an Electric Service Provider and a Scheduling Coordinator to schedule transmission service.
- ~~19.~~ 19. "Electronic Data Interchange" (EDI) is the computer-to-computer electronic exchange of business documents using standard formats which are recognized both nationally and internationally.
- ~~17.20~~ 17.20 "Eligible Customers" or "Consumers" means all non-residential commercial and industrial consumers who use more than 100kW demand monthly.
- ~~18.21~~ 18.21 "Generation" means the production of electric power or contract rights to the receipt of wholesale electric power.
- ~~19.22~~ 19.22 "Green Pricing" means a program offered by an Electric Service Provider where customers elect to pay a rate premium for renewable generated electricity. "Incumbent Utility" means the electric utility entity regulated by the Commission that operates, constructs, and maintains the distribution system for the delivery of power to the end user point of delivery on the distribution system.
- ~~20.~~ 20. "Independent Scheduling Administrator" (ISA) is an entity, independent of transmission-owning organizations, intended to facilitate nondiscriminatory retail direct access using the transmission system in Arizona.
- ~~21.~~ 21. "Independent System Operator" (ISO) is an independent organization whose objective is to provide nondiscriminatory and open transmission access to the interconnected transmission grid under its jurisdiction, in accordance with the Federal Energy Regulatory Commission principles of independent system operation.
- ~~22.23~~ 22.23 "Load Profiling" is a process of estimating a customer's hourly energy consumption based on measurements of similar customers.
- ~~24.~~ 24. "Load-Serving Entity" means an Electric Service Provider, Affected Utility, or Incumbent Utility ~~Utility Distribution Company, excluding a Meter Service Provider, and Meter Reading Service Provider.~~
- ~~23.25~~ 23.25 "Meter Number" is a unique, permanent, identification number used to identify each

- service delivery point.
- 24.26. "Meter Reading Service" means all functions related to the collection and storage of consumption data.
- 25.27. "Meter Reading Service Provider" (MRSP) means an Affected or Incumbent Utility.
~~means an entity providing Meter Reading Service, as that term is defined herein and that reads meters, performs validation, editing, and estimation on raw meter data to create billing-ready meter data; translates billing-ready data to an approved format; posts this data to a server for retrieval by billing agents; manages the server; exchanges data with market participants; and stores meter data for problem resolution.~~
- 26.28. "Meter Service Provider" (MSP) means an Affected or Incumbent Utility.
~~means an entity providing Metering Service, as that term is defined herein.~~
- 27.29. "Metering and Metering Service" means all functions related to measuring electricity consumption.
- 28.30. "Must-Run Generating Units" are those local generating units that are required to run to maintain distribution system reliability and to meet load requirements in times of congestion on certain portions of the interconnected transmission grid.
29. ~~"Net Metering" or "Net Billing" is a method by which customers can use electricity from customer-sited solar electric generators to offset electricity purchased from an Electric Service Provider. The customer only pays for the "Net" electricity purchased.~~
- 30.31. "Noncompetitive Services" means Distribution Service, Standard Offer Service, transmission, Metering, Meter Reading Service and any ancillary services deemed to be non-competitive by the Federal Energy Regulatory Commission, Must-Run Generating Units services, provision of customer demand and energy data by an Affected Utility or Incumbent Utility Distribution Company to Electric Service Providers, ~~and those aspects of Metering Service set forth in R14-2-1612(K).~~
31. ~~"OASIS" is Open Access Same-Time Information System, which is an electronic bulletin board where transmission-related information is posted for all interested parties to access via the Internet to enable parties to engage in transmission transactions.~~
32. "Operating Reserve" means the generation capability above firm system demand used to provide for regulation, load forecasting error, equipment forced and scheduled outages, and local area protection to provide system reliability.
33. "Provider of Last Resort" ("POLR") means a provider required to provide service to any customer in a service area that requests it, even if serving that customer would not be economically viable at prevailing rates.
~~provider of Standard Offer Service to customers within the provider's certificated area whose annual usage is 100,000 kWh or less and who are not buying Competitive Services.~~
34. ~~"Public Power Entity" incorporates by reference the definition set forth in A.R.S. § 30-801.16.~~
- 35.34. "Retail Electric Customer" means the person or entity in whose name service is rendered.
36. ~~"Scheduling Coordinator" means an entity that provides schedules for power transactions over transmission or distribution systems to the party responsible for the operation and control of the transmission grid, such as a Control Area Operator, Arizona Independent Scheduling Administrator, or Independent System Operator.~~
35. Scheduling Coordinator" means an entity that provides schedules for power transactions over transmission or distribution systems to the party responsible for the operation and control of the transmission grid, such as a Control Area Operator.

~~37.~~36. "Self-Aggregation" is the action of a retail electric customer that combines its own metered loads into a single purchase block.

~~38.~~37. "Standard Offer Service" means Bundled Service offered by the Affected Utility or Incumbent Utility Distribution Company to all ~~industrial and commercial consumers eligible customers in the Affected Utility's or Incumbent Utility Distribution Company's~~ service territory at regulated rates including metering, meter reading, billing and collection services, demand side management services including but not limited to time-of-use, and consumer information services. All components of Standard Offer Service shall be deemed noncompetitive as long as those components are provided in a bundled transaction under R14-2-1606(A).

~~39.~~38. "Stranded Cost" includes:

- a) The verifiable net difference between:
 - i. The net original cost of all the prudent jurisdictional assets and obligations necessary to furnish electricity (such as generating plants, purchased power contracts, fuel contracts, and regulatory assets), acquired or entered into prior to ~~(date TBD) December 26, 1996,~~ under traditional regulation of Affected and Incumbent Utilities; and
 - ii. The market value of those assets and obligations directly attributable to the introduction of competition under this Article;
- b) Reasonable costs necessarily incurred by an Affected or Incumbent Utility to effectuate divestiture of its generation assets;
- c) Reasonable employee severance and retraining costs necessitated by electric competition, where not otherwise provided; and
- d) Other transition and restructuring costs as approved by the Commission as part of the Affected or Incumbent Utility's Stranded Cost determination under R14-2-1607.

~~40.~~39. "System Benefits" means Commission-approved utility low income, demand side management, Consumer Education, environmental, renewables, long-term public benefit research and development, and nuclear fuel disposal and nuclear power plant decommissioning programs, and other programs that may be approved by the Commission from time to time.

~~41.~~40. "Transmission Primary Voltage" is voltage above 25 kV as it relates to metering transformers.

~~42.~~41. "Transmission Service" refers to the transmission of electricity to retail electric customers or to electric distribution facilities and that is so classified by the Federal Energy Regulatory Commission or, to the extent permitted by law, so classified by the ~~Arizona Corporation~~ Commission.

~~43.~~42. "Unbundled Service" means electric service elements provided and priced separately, including, but not limited to, such service elements as generation, transmission, distribution, Must Run Generation, ~~metering, meter reading,~~ billing and collection, and ancillary services. Unbundled Service may be sold to consumers or to other Electric Service Providers.

~~44.~~43. "Universal Node Identifier" is a unique, permanent, ~~identification number assigned to each service delivery point.~~

45. "Utility Distribution Company" (UDC) means ~~the electric utility entity regulated by the Commission that operates, constructs, and maintains the distribution system for the delivery of power to the end user point of delivery on the distribution system.~~

~~46.44.~~“Utility Industry Group” (UIG) refers to a the utility industry association that establishes national standards for data formats.

R14-2-1602. Commencement of Competition

- A. An Affected or Incumbent Utility’s customers will be eligible for competitive electric services, subject to the ~~phase in schedule~~ Competitive ~~Competitive~~ Transition requirements in R14-2-1604, on the date set by Commission Order in each Affected or Incumbent Utility’s Stranded Cost and Unbundled Tariff proceeding.
- B. An Affected or Incumbent Utility’s competitive electric affiliates or an affiliate of which it is a member shall not be permitted to offer Competitive Services in any other Affected or Incumbent Utility’s service territory until the Commission has ordered the service area of the potential competitor’s affiliated Affected or Incumbent Utility opened to competition.

R14-2-1603. Certificates of Convenience and Necessity

- A. Any Electric Service Provider intending to supply Competitive Services shall obtain a Certificate of Convenience and Necessity from the Commission pursuant to this Article. An Affected or Incumbent Utility need not apply for a Certificate of Convenience and Necessity to continue to provide electric service in its service area during the transition period set forth in R14-2-1604. An Incumbent or Affected Utility ~~Distribution Company~~ providing Standard Offer Service, or services authorized in R14-2-1615, after ~~January 1, 2004~~ [Date TBD], need not apply for a Certificate of Convenience and Necessity. All other Affected Utility affiliates created in compliance with R14-2-1615(A) shall be required to apply for appropriate Certificates of Convenience and Necessity.
- B. Any company desiring such a Certificate of Convenience and Necessity shall e-file with ~~the Docket Control Center~~ the required number of copies of an ~~the~~ application. In support of the request for a Certificate of Convenience and Necessity, the following information must be provided:
 - 1. A description of the electric services that the applicant intends to offer;
 - 2. The proper name and correct address of the applicant, and
 - a) The full name of the owner if a sole proprietorship,
 - b) The full name of each partner if a partnership,
 - c) A full list of officers and directors if a corporation, or
 - d) A full list of the members if a limited liability corporation;
 - 3. A tariff for each service to be provided that states the maximum rate and terms and conditions that will apply to the provision of the service;
 - 4. A description of the applicant’s technical ability to obtain and deliver electricity if appropriate and to provide any other proposed services;
 - 5. Documentation of the financial capability of the applicant to provide the proposed services, including the most recent income statement and balance sheet, the most recent projected income statement, and other pertinent financial information. Audited information shall be provided if available;
 - 6. A description of the form of ownership (for example, partnership, corporation);
 - 7. For an applicant that is an affiliate of an Affected or Incumbent Utility, a statement of whether the Affected or Incumbent Utility has complied with the requirements of R14-2-1616, including the Commission Decision approving the Code of Conduct, where applicable; and
 - 8. Such other information as the Commission or the staff may request.

- C. The applicant shall report in a timely manner during the application process any changes in the information initially reported to the Commission in the application for a Certificate of Convenience and Necessity.
- D. The applicant shall provide public notice of the application as required by the Commission.
- E. At the time of filing for a Certificate of Convenience and Necessity, each applicant shall notify the Affected Utilities or, Incumbent Utility Distribution Companies, or an electric utility not subject to the jurisdiction of the Arizona Corporation Commission in whose service territories it wishes to offer service ~~of the application~~ by providing a copy of the application to the Affected Utilities, Incumbent Utility Distribution Companies, or an electric utility not subject to the jurisdiction of the Arizona Corporation Commission. No later than 10 days after application is filed, each applicant shall provide written notice to the Commission, through Docket Control, that it has provided notification to each of the respective Affected Utilities or, Incumbent Utility Distribution Companies, or an electric utility not subject to the jurisdiction of the Arizona Corporation Commission. The attachment to the CC&N application should include a listing of the names and addresses of the notified Affected Utilities or, Incumbent Utility Distribution Companies or an electric utility not subject to the jurisdiction of the Arizona Corporation Commission.
- F. The Commission may issue a Certificate of Convenience and Necessity that is effective for a specified period of time if the applicant has limited or no experience in providing the retail electric service that is being requested. An applicant receiving such approval shall have the responsibility to apply for appropriate extensions.
- G. The Commission may deny certification to any applicant who:
 - 1. Does not provide the information required by this Article;
 - 2. Does not possess adequate technical or financial capabilities to provide the proposed services;
 - 3. Seeks certification as a Load-Serving Entity and does not have an Electric Service Provider Service Acquisition Agreement with an Incumbent -Utility-Distribution Company and Scheduling Coordinator, if the applicant is not its own Scheduling Coordinator;
 - 4. Fails to provide a performance bond, if required;
 - 5. Fails to demonstrate that its certification will serve the public interest;
 - 6. Seeks certification as a Load-Serving Entity and fails to submit an executed Service Acquisition Agreement with an Incumbent or Affected -Utility-Distribution Company or a Scheduling Coordinator for approval by the Director, Utilities Division, prior to the offering of service to potential customers. Agreements are to be filed with the Compliance Section, Utilities Division.
- H. A Request for approval of an executed Service Acquisition Agreement may be included with an application for a Certificate of Convenience and Necessity. In all negotiations relative to Service Acquisition Agreements, Affected or Incumbent Utilities or their successor entities are required to negotiate in good faith.
- I. Every Electric Service Provider obtaining a Certificate of Convenience and Necessity under this Article shall obtain certification subject to the following conditions:
 - 1. The Electric Service Provider shall comply with all Commission rules, orders, and other requirements relevant to the provision of electric service;
 - 2. The Electric Service Provider shall maintain accounts and records as required by the Commission;

3. The Electric Service Provider shall file with the Director, Utilities Division, through the Compliance Section, all financial and other reports that the Commission may require and in a form and at such times as the Commission may designate;
 4. The Electric Service Provider shall maintain on file with the Commission all current tariffs and any service standards that the Commission shall require;
 5. The Electric Service Provider shall cooperate with any Commission investigation of customer complaints;
 6. The Electric Service Provider shall obtain all necessary permits and licenses, including relevant tax licenses;
 7. The Electric Service Provider shall comply with all disclosure requirements pursuant to R14-2-1617;
 8. Failure to comply with any of the above conditions may result in rescission of the Electric Service Provider's Certificate of Convenience and Necessity.
- J.** In appropriate circumstances, the Commission may require, as a precondition to certification, the procurement of a performance bond sufficient to cover any advances or deposits the applicant may collect from its customers, or order that such advances or deposits be held in escrow or trust.
- K.** Time-frames for processing applications for Certificates of Convenience and Necessity
1. This rule proscribes time-frames for the processing of any application for a Certificate of Convenience and Necessity issued by the Arizona Corporation Commission pursuant to this Article. These time-frames shall apply to applications filed on or after the effective date of this rule.
 2. Within 120 calendar days after receipt of an application for a new Certificate of Convenience and Necessity, or to amend or change the status of any existing Certificate of Convenience and Necessity, staff shall notify the applicant, in writing, that the application is either administratively complete or deficient. If the application is deficient, the notice shall specify all deficiencies.
 3. Staff may terminate an application if the applicant does not remedy all deficiencies within 60 calendar days of the notice of deficiency.
 4. After receipt of a corrected application, staff shall notify the applicant within 90 calendar days if the corrected application is either administratively complete or deficient. The time-frame for administrative completeness review shall be suspended from the time the notice of deficiency is issued until staff determines that the application is complete.
 5. Within 180 calendar days after an application is deemed administratively complete, the Commission shall approve or reject the application.
 6. For purposes of A.R.S. § 41-1072, et seq., the Commission has established the following time-frames:
 - a. Administrative completeness review time-frame: 120 calendar days;
 - b. Substantive review time-frame: 180 calendar days;
 - c. Overall time-frame: 300 calendar days.
 7. If an applicant requests, and is granted, an extension or continuance, the appropriate time-frames shall be tolled from the date of the request during the duration of the extension or continuance.
 8. During the substantive review time-frame, the Commission may, upon its own motion or that of any interested party to the proceeding, request a suspension of the time-

frame rules.

R14-2-1604. Competitive Phases Transition

- A. At the date established under R14-2-1602(A), each Affected or Incumbent Utility shall make available at least ~~20~~10~~%~~ percent of its [Date TBD], 1995-system retail peak demand for competitive generation supply on a first-come, first-served basis as further described in this rule. First-come, first-served, for the purpose of this rule, shall be determined for ~~nonresidential~~ customers by the date and time of an Electric Service Provider's filing of a Direct Access Service Request with the Affected Utility or an Incumbent Utility Distribution Company. The effective date of the Direct Access Service Request must be within 60 days of the filing date of the Direct Access Service Request. ~~Residential customer selection will be determined under approved residential phase-in programs as specified in subsection (B)(4).~~
1. All Affected or Incumbent Utility customers with ~~single-premise~~non-residential non-coincident peak demand load of ~~greater than 1 MW~~100 kW or greater will be eligible for competitive electric services upon the commencement of competition. Customers ~~meeting this requirement shall be eligible for competitive services until at least 20% of the Affected Utility's 1995 system peak demand is served by competition.~~
 2. ~~Any class of customer~~A CCA or Electric Service Provider may aggregate into a minimum combined load of 1 MW or greater within an Affected or Incumbent Utility's service territory and be eligible for competitive electric services. ~~From the commencement of competition under R14-2-1602 through December 31, 2000, aggregation of new competitive customers will be allowed until such time as at least 20% of the Affected Utility's 1995 peak demand is served by competitors.~~
 3. Affected or Incumbent Utilities shall notify customers eligible under this subsection of the terms of the subsection no later than 60 days prior to the start of competition within its service territory.
 4. Effective [Date TBD], ~~January 1, 2001~~, all eligible Affected or Incumbent Utility non-residential customers ~~irrespective of size will be eligible~~qualify for Aggregation and Self-Aggregation. Aggregation and Self-Aggregation customers purchasing their electricity and related services at any time after the effective date of these rules must do so from a certificated Electric Provider as provided for in these rules.
- B. ~~As part of the minimum 20% of 1995 system peak demand set forth in subsection (A), each Affected Utility shall reserve a residential phase-in program that provides an increasing minimum percentage of residential customers with access to competitive electric services according to the following schedule:~~

1. January 1, 1999	1 1/4%
April 1, 1999	2 1/2%
July 1, 1999	3 3/4%
October 1, 1999	5%
January 1, 2000	6 1/4%
April 1, 2000	7 1/2%
July 1, 2000	8 3/4%
October 1, 2000	10%

- ~~2. Access to the residential phase-in program will be on a first come, first-served basis. The Affected Utility shall create and maintain a waiting list to manage the residential phase-in program, which list shall promptly be made available to any certificated Load-Serving Electric Service Provider upon request.~~
- ~~3. Residential customers participating in the residential phase-in program shall be permitted to use load profiling to satisfy the requirements for hourly consumption data; however, they may choose other metering options offered by their Electric Service Provider consistent with the Commission's rules on metering.~~
- ~~4. If not already done, each Affected Utility shall file a residential phase-in program proposal to the Commission, through Docket Control, for approval by Director, Utilities Division, by September 15, 1999. Interested parties will have until September 30, 1999, to comment on any proposal. At a minimum, the residential phase-in program proposal will include specifics concerning the Affected Utility's proposed:
 - ~~a. Process for customer notification of residential phase-in program;~~
 - ~~b. Selection and tracking mechanism for customers based on first come, first-served method;~~
 - ~~c. Customer notification process and other education and information services to be offered;~~
 - ~~d. Load Profiling methodology and actual load profiles, if available; and~~
 - ~~e. Method for calculation of reserved load.~~~~
- ~~5. After the commencement of competition under R14-2-1602, each Affected Utility shall file quarterly residential phase-in program reports with the Compliance Section, Utilities Division, within 45 days of the end of each quarter. The first such report shall be due within 45 days of the first quarter ending after the start of the phase-in of competition for that Affected Utility. The final report due under this rule shall be due within 45 days of the quarter ending December 31, 2002. As a minimum, these quarterly reports shall include:
 - ~~a. The number of customers and the load currently enrolled in residential phase-in program by Energy Service Provider,~~
 - ~~b. The number of customers currently on the waiting list,~~
 - ~~c. A description and examples of all customer education programs and other information services including the goals of the education program and a discussion of the effectiveness of the programs, and~~
 - ~~d. An overview of comments and survey results from participating residential customers.~~~~
- ~~6. Aggregation or Self Aggregation of residential customers is allowed subject to the limitations of the phase-in percentages in this rule.~~
- ~~C. Each Affected Utility shall file a report by November 1, 1999, detailing possible mechanisms to provide benefits, including rate reductions of 3%-5%, to all Standard Offer customers.~~
- ~~D.B. _____ All eligible customers shall be eligible able to obtain competitive electric services no later than [Date TBD], January 1, 2001.~~
- ~~E.C. _____ Retail consumers served under existing contracts are eligible to participate in the competitive market prior to expiration of the existing contract only if the Affected or Incumbent Utility and the consumer agree that the retail consumer may participate in the competitive market.~~

F.D. Schedule Modifications for Cooperatives

1. An electric cooperative may request that the Commission modify the schedule described in subsections (A) through (E) so as to preserve the tax-exempt status of the cooperative or to allow time to modify contractual arrangements pertaining to delivery of power supplies and associated loans.
2. As part of the request, the cooperative shall propose methods to enhance consumer choice among generation resources.
3. The Commission shall consider whether the benefits of modifying the schedule exceed the costs of modifying the schedule.

R14-2-1605. Competitive Services

~~Except as provided in R14-2-1615(C),~~ Competitive Services as defined in 2-1601(8) shall require a Certificate of Convenience and Necessity and a tariff as described in R14-2-1603. A properly certificated Electric Service Provider may offer Competitive Services under bilateral or multilateral contracts with retail consumers.

R14-2-1606. Services Required to be Made Available

- A. On the date its service area is open to competition under R14-2-1602, each Affected Utility or ~~Incumbent Utility Distribution Company~~ shall make available Standard Offer Service and Noncompetitive Services at regulated rates. After ~~[Date TBD], January 1, 2001,~~ Standard Offer Service and Noncompetitive Services shall be provided by ~~Utility Distribution Companies~~ Incumbent or Affected Utilities who shall also act as Providers of Last Resort.
- B. After ~~[Date TBD], January 1, 2001,~~ power purchased by an investor owned ~~Incumbent or Affected Utility Distribution Company~~ for Standard Offer Service shall be acquired from the competitive market through prudent, arm's length transactions, and with at least 50% percent through a competitive bid process.
- C. Standard Offer Tariffs
 1. By ~~[Date TBD], July 1, 1999,~~ or pursuant to Commission Order, whichever occurs first, each Affected ~~or Incumbent~~ Utility shall file proposed tariffs to provide Standard Offer Service. Such rates shall not become effective until approved by the Commission. Any rate increase proposed by an Affected Utility or ~~Incumbent Utility Distribution Company~~ for Standard Offer Service must be fully justified through a rate case proceeding.
 2. Standard Offer Service tariffs shall include the following elements, each of which shall be clearly unbundled and identified in the filed tariffs:
 - a. Competitive Services:
 - i. Generation, which shall include all transaction costs and line losses;
 - ii. Competition Transition Charge, which shall include recovery of generation related regulatory assets;
 - iii. Generation-related billing and collection;
 - iv. Transmission Services; and
 - v. ~~Metering Services;~~
 - ~~vi. Meter Reading Services; and~~
 - ~~vii. vi.~~ Optional Ancillary Services, which shall include spinning reserve service, supplemental reserve, regulation and frequency response service, and energy imbalance service
 - b. Non-Competitive Services:

- i. Distribution services;
 - ii. Metering Services;
 - iii. Meter Reading Services;
 - iv. Required Ancillary services, which shall include scheduling, system control and dispatch service, and reactive supply and voltage control from generation sources service;
 - v. Must-Run Generating Units;
 - vi. System Benefit Charges; and
 - vii. Distribution-related billing and collection.
3. ~~Affected and Incumbent Utilities and Utility Distribution Companies~~ may file proposed revisions to such rates with the Commission through Docket Control. Any rate increase proposed by an Affected Utility or Incumbent Utility Distribution Company for Standard Offer Service must be fully justified through a rate case proceeding, which may be expedited at the discretion of the Utilities Division Director.
4. Such rates shall reflect the costs of providing the service.
5. Consumers receiving Standard Offer Service are eligible for potential future rate reductions as authorized by the Commission.
6. After [Date TBD], ~~January 2, 2001~~, tariffs for Standard Offer Service shall not include any special discounts or contracts with terms, or any tariff that prevents the customer from accessing a competitive option, other than time-of-use rates, interruptible rates, or self-generation deferral rates.
- D. By the effective date of these rules, or pursuant to Commission Order, whichever occurs first, each Affected Utility or Incumbent Utility Distribution Company shall file an Unbundled Service tariff that shall include a Noncompetitive Services tariff. The Unbundled Service tariff shall calculate the items listed in R14-2-1606(C)(2)(b) on the same basis as those items are calculated in the Standard Offer Service tariff.
- E. To manage its risks, an Affected or Incumbent Utility or Electric Service Provider may include in its tariffs deposit requirements and advance payment requirements for Unbundled Services.
- F. ~~Affected Utilities and Incumbent Utility Distribution Companies~~ must accept power and energy delivered to their distribution systems by other Load-Serving Entities and offer distribution and distribution-related ancillary services comparable to services they provide to themselves at their Noncompetitive Services tariffed rates.
- G. Customer Data
 1. Upon written authorization by the customer, a Load-Serving Entity shall release in a timely and useful manner that customer's billing data, including consumption, demand, and power factor (if available), for the most recent 12-month period to a customer-specified properly certificated Electric Service Provider.
 2. The Electric Service Provider requesting such customer data shall provide an accurate account number for the customer.
 3. ~~The form of data shall be mutually agreed upon by the parties and such data shall not be unreasonably withheld.~~
 4. ~~Utility Distribution Companies~~ An Incumbent or Affected Utility shall be allowed

~~access to perform the Meter Reading Service Provider server for non-residential~~
customers served by the Utility Distribution Company's distribution system.

II. Rates for Unbundled Services

1. The Commission shall review and approve rates for Competitive Services and Noncompetitive Services subject to Commission jurisdiction, before such services can be offered.
 2. Such rates shall reflect the costs of providing the services.
 3. Such rates may be downwardly flexible if approved by the Commission.
- I. Electric Service Providers offering Competitive Services under this R14-2-1606 shall provide adequate supporting documentation for their proposed rates. Where rates are approved by another jurisdiction, such as the Federal Energy Regulatory Commission, those rates shall be provided as part of the supporting documentation.

R14-2-1607. Recovery of Stranded Cost of Affected Utilities

- A. The Affected Utilities shall take every reasonable, cost-effective measure to mitigate or offset Stranded Cost by reducing costs, expanding wholesale or retail markets, or offering a wider scope of permitted regulated utility services for profit, among others.
- B. The Commission shall allow a reasonable opportunity for recovery of unmitigated Stranded Cost by Utilities.
- C. ~~The Affected or Incumbent Utilities~~ Utility shall file estimates of unmitigated Stranded Cost on or before [Date TBD], ~~July 1, 1999~~, or pursuant to Commission Order, whichever occurs first. Such estimates shall be fully supported by analyses and by records of market transactions undertaken by willing buyers and willing sellers.
- D. ~~An Affected or Incumbent~~ Utility shall request Commission approval, on or before [Date TBD], ~~July 1, 1999~~, or pursuant to Commission Order, whichever occurs first, of distribution charges or other means of recovering unmitigated Stranded Cost. The filing may include a discounted stranded cost exit methodology that a consumer may choose to use to determine an amount due the ~~Affected or Incumbent~~ Utility in lieu of making monthly distribution charge or other payments.
- E. The Commission shall, after hearing and consideration of analyses and recommendations presented by the ~~Affected or Incumbent~~ Utilities, staff, and intervenors, determine for each ~~Affected or Incumbent~~ Utility the magnitude of Stranded Cost, and appropriate Stranded Cost recovery mechanisms and charges. In making its determination of mechanisms and charges, the Commission shall consider at least the following factors:
 1. The impact of Stranded Cost recovery on the effectiveness of competition;
 2. The impact of Stranded Cost recovery on customers of the ~~Affected or Incumbent~~ Utility who do not participate in the competitive market;
 3. The impact, if any, on the ~~Affected or Incumbent~~ Utility's ability to meet debt obligations;
 4. The impact of Stranded Cost recovery on prices paid by consumers who participate in the competitive market;
 5. The degree to which the ~~Affected or Incumbent~~ Utility has mitigated or offset Stranded Cost;
 6. The degree to which some assets have values in excess of their book values;
 7. Appropriate treatment of negative Stranded Cost;
 8. The time period over which such Stranded Cost charges may be recovered. The Commission shall limit the application of such charges to a specified time period;

9. The applicability of Stranded Cost to interruptible customers.
- F. A Competition Transition Charge (CTC) may be assessed on all retail customers based on the amount of generation purchased from any supplier. Any reduction in electricity purchases from an Affected or Incumbent Utility resulting from self-generation, demand side management, or other demand reduction attributable to any cause other than the retail access provisions of this Article shall not be used to calculate or recover any Stranded Cost from a consumer.
 - G. Stranded Cost shall be recovered from customer classes in a manner consistent with the specific company's current rate treatment of the stranded asset, in order to effect a recovery of Stranded Cost that is in substantially the same proportion as the recovery of similar costs from customers or customer classes under current rates. In no event shall the Competition Transition Charge be utilized as a mechanism for double recovery of Stranded Cost from Standard Offer Service customers.
 - H. The Commission may consider securitization as a financing method for recovery of Stranded Cost of the Affected Utility if the Commission finds that such method of financing will result in a lower cost alternative to customers.
 - I. The Commission may, after notice and hearing, order regular revisions to estimates of the magnitude of Stranded Cost.

R14-2-1608. System Benefits Charges

- A. Each Affected Utility or ~~Incumbent Utility Distribution Company~~ shall file for Commission review non-bypassable rates or related mechanisms to recover the applicable pro-rata costs of System Benefits from all consumers located in the Affected Utility's or ~~Incumbent Utility Distribution Company's~~ service area. Affected Utilities or ~~Incumbent Utilities~~ ~~Utility Distribution Companies~~ shall file for review of the Systems Benefits Charge at least every three years. The amount collected annually through the System Benefits charge shall be sufficient to fund the Affected Utilities' or ~~Incumbent Utilities~~ ~~Utility Distribution Companies'~~ Commission-approved System Benefits. Filings shall be made with the Commission through Docket Control.
- B. Each Affected Utility or ~~Incumbent Utility Distribution Company~~ shall provide adequate supporting documentation for its proposed rates for System Benefits.
- C. An Affected Utility or ~~Incumbent Utility Distribution Company~~ shall recover the costs of System Benefits only upon hearing and approval by the Commission of the recovery charge and mechanism. The Commission may combine its review of System Benefits charges with its review of filings pursuant to R14-2-1606.

R14-2-1609. Transmission and Distribution Access

- A. The Affected Utilities shall provide nondiscriminatory open access to transmission and distribution facilities to serve all non-residential customers. No preference or priority shall be given to any distribution customer based on whether the customer is purchasing power under the Affected Utility's Standard Offer or in the competitive market. Any transmission capacity that is reserved for use by the retail customers of the Affected Utility's ~~Incumbent Utility Distribution Company~~ shall be allocated among Standard Offer customers and competitive market customers on a pro-rata basis.
- B. ~~Utility Distribution Companies~~ ~~Incumbent Utilities~~ shall retain the obligation to assure that adequate transmission import capability is available to meet the load requirements of all distribution customers within their service areas. ~~Utility Distribution Companies~~ ~~Incumbent~~

Utilities shall retain the obligation to assure that adequate distribution system capacity is available to meet the load requirements of all distribution customers within their service areas.

- ~~C. The Commission supports the development of Federal Energy Regulatory Commission-approved Regional Transmission Organization (RTO), an Independent System Operator (ISO) or, absent a Regional Transmission Organization or an Independent System Operator, an Arizona Independent Scheduling Administrator (AISA). The Commission believes that such organizations are necessary in order to provide nondiscriminatory retail access and to facilitate a robust and efficient electricity market.~~
- ~~D. Affected Utilities that own or operate Arizona transmission facilities shall form an Arizona Independent Scheduling Administrator that shall file with the Federal Energy Regulatory Commission within 60 days of this Commission's adoption of final rules herein, for approval of an Independent Scheduling Administrator having the following characteristics:~~
- ~~1. The Arizona Independent Scheduling Administrator shall calculate Available Transmission Capacity (ATC) for Arizona transmission facilities that belong to the Affected Utilities or other Arizona Independent Scheduling Administrator participants and shall develop and operate an overarching statewide OASIS.~~
 - ~~2. The Arizona Independent Scheduling Administrator shall implement and oversee the nondiscriminatory application of operating protocols to ensure statewide consistency for transmission access. These operating protocols shall include, but are not limited to, protocols for determining transmission system transfer capabilities, committed uses of the transmission system, available transfer capabilities, Must-Run Generating Units, energy scheduling, and energy imbalances.~~
 - ~~3. The Arizona Independent Scheduling Administrator shall provide dispute resolution processes that enable market participants to expeditiously resolve claims of discriminatory treatment in the reservation, scheduling, use, and curtailment of transmission services.~~
 - ~~4. All requests (wholesale, Standard Offer retail, and competitive retail) for reservation and scheduling of the use of Arizona transmission facilities that belong to the Affected Utilities or other Arizona Independent Scheduling Administrator participants shall be made to, or through, the Arizona Independent Scheduling Administrator using a single, standardized procedure.~~
 - ~~5. The Arizona Independent Scheduling Administrator shall implement a transmission planning process that includes all Arizona Independent Scheduling Administrator participants and aids in identifying the timing and key characteristics of required reinforcements to Arizona transmission facilities to assure that the future load requirements of all participants will be met.~~

~~E. If not previously filed, the Affected Utilities that own or operate Arizona transmission facilities shall file a proposed Arizona Independent Scheduling Administrator implementation plan with the Commission, through Docket Control, within 30 days of the Commission's adoption of final rules herein. The implementation plan shall address Arizona Independent Scheduling Administrator governance, incorporation, financing, and staffing; the acquisition of physical facilities and staff by the Arizona Independent Scheduling Administrator; the schedule for the phased development of Arizona Independent Scheduling Administrator functionality and proposed transition to a regional Independent System Operator or Regional Transmission Organization; contingency plans~~

to ensure that critical functionality is in place no later than three months following adoption of final rules herein by the Commission; and any other significant issues related to the timely and successful implementation of the Arizona Independent Scheduling Administrator.

- ~~F. Each of the Affected Utilities shall make good faith efforts to develop a regional, multi-state Independent System Operator or Regional Transmission Organization, to which the Arizona Independent Scheduling Administrator should transfer its relevant assets and functions and characteristics as specified in R14-2-1609(D) as the Independent System Operator or Regional Transmission Organization becomes able to carry out those functions. Absent Federal Energy Regulatory Commission approval of an Arizona Independent Scheduling Administrator, the functions and characteristics as specified in R14-2-1609(D) will be assumed by the Independent System Operator or Regional Transmission Organization.~~
- ~~G. It is the intent of the Commission that prudently incurred costs incurred by the Affected Utilities in the establishment and operation of the Arizona Independent Scheduling Administrator, and subsequently the Independent System Operator or Regional Transmission Organization, should be Affected Utilities' wholesale customers, Standard Offer retail customers, and competitive retail customers on a nondiscriminatory basis through Federal Energy Regulatory Commission-regulated prices. Proposed rates for the recovery of such costs shall be filed with the Federal Energy Regulatory Commission and this Commission through Docket Control. In the event that the Federal Energy Regulatory Commission does not permit recovery of prudently incurred Independent Scheduling Administrator costs within 90 days of the date of making an application with the Federal Energy Regulatory Commission, the Commission may authorize Affected Utilities to recover such costs through a distribution surcharge.~~
- ~~H. The Commission supports the use of "Scheduling Coordinators" to provide aggregation of customers' schedules to the Independent Scheduling Administrator and the respective Control Area Operators simultaneously until the implementation of a regional Independent System Operator or Regional Transmission Organization, at which time the schedules will be submitted to the Independent System Operator or Regional Transmission Organization. The primary duties of Scheduling Coordinators are to:~~
- ~~1. Forecast their customers' load requirements;~~
 - ~~2. Submit balanced schedules (that is, schedules for which total generation is equal to total load of the Scheduling Coordinator's customers plus appropriate transmission and distribution line losses) and North American Electric Reliability Council/Western Systems Coordinating Council tags;~~
 - ~~3. Arrange for the acquisition of the necessary transmission and ancillary services;~~
 - ~~4. Respond to contingencies and curtailments as directed by the Control Area Operators, Arizona Independent Scheduling Administrator, or Independent System Operator or Regional Transmission Organization;~~
 - ~~5. Actively participate in the schedule checkout process and the settlement processes of the Control Area Operators, Arizona Independent Scheduling Administrator, or Independent System Operator or Regional Transmission Organization.~~
- ~~I. The Affected Utilities and Utility Distribution Companies shall provide services from the Must Run Generating Units to Standard Offer Service retail customers and competitive retail customers on a comparable, nondiscriminatory basis at regulated prices. The~~

~~Affected Utilities shall specify the obligations of the Must-Run Generating Units in appropriate sales contracts prior to any divestiture. Under auspices of the Arizona Independent Scheduling Administrator, the Affected Utilities and other stakeholders shall develop statewide protocols for pricing and availability of services from Must-Run Generating Units. These protocols shall be filed with Docket Control for Commission review and, when appropriate, approval, prior to being filed with the Federal Energy Regulatory Commission in conjunction with the Arizona Independent Scheduling Administrator tariff filing. Fixed Must-Run Generating Units costs are to be recovered through a regulated charge to end-use customers. This charge must be set by the Commission as part of the end-use customer distribution service charges.~~

- ~~J. The Affected Utilities and other stakeholders, under the auspices of the Arizona Independent Scheduling Administrator, shall identify statewide services to be settled on and develop fair and reasonable pricing mechanisms to assure a consistent and fair settlement process.~~

R14-2-1610. In-state Reciprocity

- ~~A. The service territories of Arizona electric utilities that are not Affected Utilities or Public Power Entities shall not be open to competition under the provisions of this Article, nor shall Arizona electric utilities which are not Affected Utilities be able to compete for sales in the service territories of the Affected Utilities.~~
- ~~B. An Arizona electric utility, subject to the jurisdiction of the Commission, that is not an Affected Utility or a Public Power Entity may voluntarily participate under the provisions of this Article if it makes its service territory available for competing sellers, if it agrees to all of the requirements of this Article, and if it obtains an appropriate Certificate of Convenience and Necessity.~~
- ~~C. An Arizona electric utility, not subject to the jurisdiction of the Commission, and that is not a Public Power Entity, may submit a statement to the Commission, through Docket Control, stating that it voluntarily opens its service territory for competing sellers in a manner similar to the provisions of this Article. Such statement shall be accompanied by the electric utility's nondiscriminatory Standard Offer Tariff, electric supply tariffs, Unbundled Services rates, Stranded Cost charges, System Benefits charges, Distribution Services charges and any other applicable tariffs and policies for services the electric utility offers, for which these rules otherwise require compliance by Affected Utilities or Electric Service Providers. Such filings shall serve as authorization for such electric utility to utilize the Commission's Rules of Practice and Procedure and other applicable rules concerning any complaint that an Affected Utility or Electric Service Provider is violating any provision of this Article or is otherwise discriminating against the filing electric utility or failing to provide just and reasonable rates in tariffs filed under this Article.~~
- ~~D. If an electric utility is an Arizona political subdivision or municipal corporation other than a Public Power Entity, then the existing service territory of such electric utility shall be deemed open to competition if the political subdivision or municipality has entered into an intergovernmental agreement with the Commission that establishes nondiscriminatory terms and conditions for Distribution Services and other Unbundled Services, provides a procedure for complaints arising therefrom, and provides for reciprocity with Affected Utilities or their affiliates. The Commission shall conduct a hearing to consider any such intergovernmental agreement.~~

~~E. An affiliate of an Arizona electric utility which is not an Affected Utility or a Public Power Entity shall not be allowed to compete in the service territories of Affected Utilities unless the affiliate's parent company, the nonaffected electric utility submits a statement to the Commission, through Docket Control, indicating that the parent company will voluntarily open its service territory for competing sellers in a manner similar to the provisions of this Article and the Commission makes a finding to that effect.~~

R14-2-16101. Rates

~~A. Market determined rates for Competitive Services, as defined in R14-2-1601 shall be deemed to be just and reasonable.~~

~~B.A.~~ Each Electric Service Provider selling services under this Article shall have on file with the Commission tariffs describing such services, minimum, current and maximum rates for those services, but the services may not be provided until the Commission has approved the tariffs.

~~C.B.~~ Prior to [Date TBD], January 1, 2001, competitively negotiated contracts governed by this Article customized to individual customers which comply with approved tariffs do not require further Commission approval. However, all such contracts whose term is one year or more and for service of 1 MW or more must be filed with the Director, Utilities Division, through the Compliance Section, as soon as practicable. If a contract does not comply with the provisions of the Load Serving Entity's approved tariffs, it shall not become effective without a Commission order. The provisions of such contracts shall be kept confidential by the Commission.

~~D.C.~~ Contracts entered into on or after [Date TBD], January 1, 2001, which comply with approved tariffs need not be filed with the Director, Utilities Division. If a contract does not comply with the provisions of the Load Serving Entity's approved tariffs, it shall not become effective without a Commission order.

~~E.D.~~ An Electric Service Provider holding a Certificate pursuant to this Article may price its Competitive Services, at or below the maximum rates specified in its filed tariff, provided that the price is not less than the marginal cost of providing the service.

~~F.E.~~ Requests for changes in maximum rates or changes in terms and conditions of previously approved tariffs may be filed with the Commission through Docket Control. Such changes shall become effective only upon Commission approval.

R14-2-16112. Service Quality, Consumer Protection, Safety, and Billing Requirements

A. Except as indicated elsewhere in this Article and in reference to residential service, R14-2-201 through R14-2-212, ~~inclusive~~, are adopted in this Article by reference. However, where the term "utility" is used in R14-2-201 through R14-2-212, the term "utility" shall pertain to Electric Service Providers providing the services described in each subsection of R14-2-201 through R14-2-212. R14-2-203(E) and R14-2-212(H) shall pertain only to Utility Distribution Companies.

B. The following shall not apply to this Article:

1. R14-2-202 in its entirety,
2. R14-2-206 in its entirety,
3. R14-2-207 in its entirety,

4. R14-2-212 (F)(1),
 5. R14-2-213,
 6. R14-2-208(E) and (F).
- C. No consumer shall be deemed to have changed providers of any service authorized in this Article (including changes from the Affected or Incumbent Utility to another provider) without written authorization by the consumer for service from the new provider. If a consumer is switched to a different ("new") provider without such written authorization, the new provider shall cause service by the previous provider to be resumed and the new provider shall bear all costs associated with switching the consumer back to the previous provider. A new provider who switches a customer without written authorization shall also refund to the retail electricity customer the entire amount of the customer's electricity charges attributable to the electric generation service from the new provider for three months, or the period of the unauthorized service, whichever is more. ~~An Incumbent or Affected Utility Distribution Company~~ may request the Commission's Consumer Services Section to review or audit written authorizations to assure a customer switch was properly authorized. A written authorization that is obtained by deceit or deceptive practices shall not be deemed a valid written authorization. Electric Service Providers shall submit reports within 30 days of the end of each calendar quarter to the Commission, through the Compliance Section, Utilities Division, itemizing the direct complaints filed by customers who have had their Electric Service Providers changed without their authorization. Violations of the Commission's rules concerning unauthorized changes of providers may result in penalties, or suspension or revocation of the provider's certificate. The following requirements and restrictions shall apply to the written authorization form requesting electric service from the new provider:
1. The authorization shall not contain any inducements;
 2. The authorization shall be in legible print with clear and plain language confirming the rates, terms, conditions, and nature of the service to be provided;
 3. The authorization shall not state or suggest that the customer must take action to retain the customer's current electricity supplier;
 4. The authorization shall be in the same language as any promotional or inducement materials provided to the retail electric customer; and
 5. No box or container may be used to collect entries for sweepstakes or a contest that, at the same time, is used to collect authorization by a retail electric customer to change their electricity supplier or to subscribe to other services.
- ~~D. A residential customer may rescind its authorization to change providers of any service authorized in this Article within three business days, without penalty, by providing written notice to the provider.~~
- E.D.** _____ Customer-specific information shall not be released without specific prior written customer authorization unless the information is requested by a law enforcement or other public agency, or is requested by the Commission or its Staff, or is reasonably required for legitimate account collection activities, or is necessary to provide safe and reliable service to the customer.
- F.E.** _____ Each Electric Service Provider providing service governed by this Article shall be responsible for meeting applicable reliability standards and shall work cooperatively with other companies with whom it has interconnections, directly or indirectly, to ensure safe, reliable electric service. ~~Utility Distribution Companies~~ Incumbent and Affected

Utilities shall make reasonable efforts to notify customers of scheduled outages and also provide notification to the Commission.

G.F. Each Electric Service Provider shall provide at least 45 days' written notice to all of its affected consumers of its intent to cease providing generation, transmission, distribution, or ancillary services necessitating that the consumer obtain service from another supplier of generation, transmission, distribution, or ancillary services.

H.G. All Electric Service Providers rendering service under this Article shall submit accident reports, through the Compliance Section, as required in R14-2-101.

H.H. An Electric Service Provider providing firm electric service governed by this Article shall make reasonable efforts to reestablish service within the shortest possible time when service interruptions occur and shall work cooperatively with other companies to ensure timely restoration of service where facilities are not under the control of the Electric Service Provider.

J.I. Electric Service Providers shall give at least five days' notice to their customer of scheduled return to Standard Offer Service. Electric Service Providers shall provide 15 calendar days' notice prior to the next scheduled meter read date to the appropriate Incumbent Utility Distribution Company regarding the intent to terminate a service agreement. Return of that customer to Standard Offer Service will be at the next regular billing cycle if appropriate metering equipment is in place and the request is provided 15 calendar days prior to the next regular meter read date. Responsibility for charges incurred between the notice and the next scheduled read date shall rest with the Electric Service Provider.

K.J. Each Electric Service Provider shall ensure that bills rendered on its behalf include its address and the toll-free telephone numbers for billing, service, and safety inquiries. The bill must also include the address and toll-free telephone numbers for the Phoenix and Tucson Consumer Service Sections of the Arizona Corporation Commission Utilities Division. Each Electric Service Provider shall ensure that billing and collections services rendered on its behalf comply with subsection (A).

L. Additional Provisions for Metering and Meter Reading Services

~~1. When authorized by the consumer, an Electric Service Provider who provides metering or meter reading services pertaining to a particular consumer shall provide appropriate meter reading data via standardized formats, approved by the Director, Utilities Division, to all applicable Electric Service Providers serving that same consumer.~~

~~2.1. Any person or entity relying on metering information provided by an Electric Service Provider~~Affected or Incumbent Utility may request a meter test according to the tariff on file and approved by the Commission. However, if the meter is found to be in error by more than ~~3~~three %, percent, no meter testing fee will be charged.

~~3.2. Each The Meter Number assigned by the Affected Utility or the Incumbent Utility whose distribution system serves the customer. shall be used to identify each competitive point of delivery, shall be assigned a Universal Node Identifier by the Affected Utility or the Utility Distribution Company whose distribution system serves the customer.~~

~~4.3. Unless the Commission grants a specific waiver all competitive-metered and billing data shall be translated into consistent, statewide formats, approved by the Director, Utilities Division, that shall be used by the Affected Utility or the Incumbent Utility~~

~~Distribution Company~~ and the Electric Service Provider.

- ~~5.4.~~ Unless the Commission grants a specific waiver, the standardized data exchange formats approved by the Director, Utilities Division, shall be used for all data exchange transactions from the Meter Reading Service Provider to the Electric Service Provider, Incumbent Utility Distribution Company, and Schedule Coordinator. This data will be transferred via the Internet using a secure sockets layer or other secure electronic media.
- ~~6.5.~~ Minimum metering requirements for competitive customers over 10020 kW, or 5400,000 kWh annually, should consist of hourly consumption measurement meters or meter systems. Predictable loads will be permitted to use load profiles to satisfy the requirements for hourly consumption data. The Load-Serving Entity developing the load profile shall determine if a load is predictable.
- ~~7.6.~~ Competitive customers with hourly loads of 10020 kW (or 5400,000 kWh annually) or less will be permitted to use Load Profiling to satisfy the requirements for hourly consumption data, ~~however, they may choose other metering options offered by their Electric Service Provider consistent with the Commission rules on Metering.~~
- ~~8.7.~~ Metering equipment ownership will be limited to the Affected Utility, OR THE Incumbent Utility Distribution Company, and ~~the Electric Service Provider, or the customer, who must obtain the metering equipment through the Affected Utility, Utility Distribution Company, or an Electric Service Provider.~~
- ~~9.8.~~ Maintenance and servicing of the metering equipment (including Current Transformers and Potential Transformers) will be limited to the Affected Utility, or the Incumbent Utility Distribution Company, and ~~the Electric Service Provider.~~
- ~~10.9.~~ Distribution primary voltage Current Transformers and Potential Transformers may be owned by the Affected Utility, or the Incumbent Utility Distribution Company, or ~~the Electric Service Provider.~~
- ~~11.10.~~ Transmission primary voltage Current Transformers and Potential Transformers may be owned by the Affected Utility ~~Or the Incumbent~~ Utility Distribution Company only.
- ~~12.11.~~ North American Electric Reliability Council-recognized holidays will be used in calculating "working days" for meter data timeliness requirements. If a holiday officially occurs on a Saturday, the preceding Friday will be recognized as the date of the holiday. If a holiday officially occurs on a Sunday, the following Monday will be recognized as the date of the holiday.
- ~~13.12.~~ The Director, Utilities Division, shall approve operating procedures to be used by the Utility Distribution Companies and ~~the~~ Meter Service Providers for performing work on ~~primary~~ metered customers.
- ~~14.13.~~ The Director, Utilities Division, shall approve operating procedures to be used by the Meter Reading Service Provider for validating, editing, and estimating metering data.
- ~~15.14.~~ The Director, Utilities Division shall approve performance metering specifications and standards to be used by all entities performing metering.
- M.K. Electric Service Providers shall comply with applicable reliability standards and practices established by the Western Systems Coordinating Council and the North American Electric Reliability Council or successor organizations.
- N.L. Electric Service Providers shall provide notification and informational materials to

consumers about competition and consumer choices, such as a standardized description of services, as ordered by the Commission.

O.M. Billing Elements. After the commencement of competition within a service territory pursuant to R14-2-1602, all customer bills, including bills for Standard Offer Service customers within that service territory, will list, at a minimum, the following billing cost elements:

1. Competitive Services:

- a. Generation, which shall include generation-related billing and collection;
- b. Competition Transition Charge;
- c. Transmission and Ancillary Services,;
- d. ~~Metering Services; and~~
- e. ~~Meter Reading Services.~~

2. Non-Competitive Services:

- a. Distribution services, including distribution-related billing and collection, required Ancillary Services and Must-Run Generating Units; and
- b. System Benefit Charges;
- c. Metering Services; and
- d. ~~Meter Reading Services.~~

3. Regulatory assessments; and

4. Applicable taxes.

5. In cases where the Incumbent or Affected Utility Distribution Company and the Electric Service Provider provide separate bills to customers, the Electric Service Provider is not required to list the billing cost elements for non-competitive services. In cases where the Incumbent or Affected Utility Distribution Company and the Electric Service Provider provide separate bills to customers, the Incumbent or Affected Utility Distribution Company is not required to list the billing cost elements for competitive services if the customer is obtaining competitive services from an Electric Service Provider.

P.N. The operating procedures approved by the Director, Utilities Division, will be used for Direct Access Service Requests as well as other billing and collection transactions.

R14-2-16123. Reporting Requirements

A. Reports covering the following items, as applicable, shall be submitted to the Director, Utilities Division, through the Compliance Section, by Affected Utilities or Incumbent Utility Distribution Companies and all Electric Service Providers granted a Certificate of Convenience and Necessity pursuant to this Article. These reports shall include the following information pertaining to competitive service offerings, Unbundled Services, and Standard Offer services in Arizona:

1. Type of services offered;
2. kW and kWh sales to consumers, disaggregated by customer class (for example, residential, commercial, industrial);
3. Revenues from sales by customer class (for example, ~~residential~~, commercial, industrial);
4. Number of retail customers disaggregated as follows: ~~residential, commercial/industrial~~ under 21 kW, commercial/ industrial 10021 to 999 400 kW, commercial/industrial 401 kW to 1000 kW, 1001 kW or more, agricultural (if not included in commercial), and other;

5. Retail kWh sales and revenues disaggregated by term of the contract (less than one year, one to four years, longer than four years), and by type of service (for example, firm, interruptible, other);
6. Amount of revenues from each type of Competitive Service and, if applicable, each type of Noncompetitive Service provided (using breakdown from R14-2-1612(O);
7. Value of all assets used to serve Arizona customers and accumulated depreciation;
8. Tabulation of Arizona electric generation plants owned by the Electric Service Provider broken down by generation technology, fuel type, and generation capacity;
9. The number and type of customers aggregated and the amount of aggregated load; and
10. Other data requested by staff or the Commission.

B. Reporting Schedule

1. For the period through [Date TBD], ~~December 31, 2003~~, semi-annual reports shall be filed by April 15 (covering the previous period of July through December) and October 15 (covering the previous period of January through June). The first such report shall cover the period [Date TBD], ~~January 1 through [Date TBD], June 30, 1999~~.
2. For the period after [Date TBD], ~~December 31, 2003~~, annual reports shall be filed by April 15 (covering the previous period of January through December). The first such report shall cover the period [Date TBD], ~~January 1 through [Date TBD], December 31, 2004~~.
- C. The information listed above may, at the provider's option, be provided on a confidential basis. However, staff or the Commission may issue reports with aggregate statistics based on confidential information that do not disclose data pertaining to a particular seller or purchases by a particular buyer.
- D. Any Electric Service Provider, Affected Utility, or Incumbent ~~Utility Distribution Company~~ governed by this Article which fails to file the above data in a timely manner may be subject to a penalty imposed by the Commission or may have its Certificate rescinded by the Commission.
- E. Any Electric Service Provider holding a Certificate pursuant to this Article shall file a request in Docket Control to discontinue any competitive tariff as soon as practicable after the decision to discontinue offering service is made.
- F. In addition to the above reporting requirements, Electric Service Providers, Affected and Incumbent ~~Utilities, and Utility Distribution Companies~~ governed by this Article shall participate in Commission workshops or other forums whose purpose is to evaluate competition or assess market issues.

R14-2-16134. Administrative Requirements

- A. Any Electric Service Provider certificated under this Article may file with the Commission, through Docket Control, proposed additional tariffs for Competitive Services at any time which include a description of the service, maximum rates, terms, and conditions.
- B. Contracts filed pursuant to this Article shall not be open to public inspection or made public except on order of the Commission, or by the Commission or a Commissioner in the course of a hearing or proceeding.
- C. The Commission may consider variations or exemptions from the terms or requirements of any of the rules in this Article upon the application of an affected party. The application must set forth the reasons why the public interest will be served by the variation or

exemption from the Commission rules and regulations. Any variation or exemption granted shall require an order of the Commission. Where a conflict exists between these rules and an approved tariff or order of the Commission, the provisions of the approved tariff or order of the Commission shall apply.

- D. The Commission may develop procedures for resolving disputes regarding implementation of retail electric competition.
- E. Prior to ~~[Date TBD]~~, ~~October 1, 1999~~, the Director, Utilities Division, shall implement a Consumer Education Program as approved by the Commission.

R14-2-16145. Renewable Goal and Standard Separation of Monopoly and Competitive Services

- A. Any Load-Serving Entity selling electricity or aggregating customers for the purpose of selling electricity under the provisions of this Article must also meet the renewable goal or standard set in R14-2-#### unless otherwise ordered by the Commission. Incumbent Utilities would recover the cost to meet the renewable goal or standard set in R14-2-#### in base rates as part of the System Benefits Charges. Electric Service Providers would also receive a pro rata share of funds from System Benefit Charges.
- ~~A. All competitive generation assets and competitive services shall be separated from an Affected Utility prior to January 1, 2001. Such separation shall either be to an unaffiliated party or to a separate corporate affiliate or affiliates. If an Affected Utility chooses to transfer its competitive generation assets or competitive services to a competitive electric affiliate, such transfer shall be at a value determined by the Commission to be fair and reasonable.~~
- ~~B. Beginning January 1, 2001, an Affected Utility or Utility Distribution Company shall not provide Competitive Services as defined in R14-2-1601.~~
 - ~~1. This Section does not preclude an Affected Utility or Utility Distribution Company from billing its own customers for distribution service, or from providing billing services to Electric Service Providers in conjunction with its own billing, or from providing Meter Services and Meter Reading Services for Load Profiled residential customers. Nor does this Section preclude an Affected Utility or Utility Distribution Company from providing billing and collections, Metering and Meter Reading Service as part of the Standard Offer Service tariff to Standard Offer Service customers.~~
 - ~~2. This Section does not preclude an Affected Utility or Utility Distribution Company from owning distribution and transmission primary voltage Current Transformers and Potential Transformers.~~
- ~~C. An Electric Distribution Cooperative is not subject to the provisions of R14-2-1615 unless it offers competitive electric services outside of its distribution service territory.~~

R14-2-16165. Code of Conduct

- A. If not previously filed, no later than 90 days after adoption of these Rules, each Affected or Incumbent Utility which plans to offer Non-competitive Services and which plans to offer Competitive Services through its competitive electric affiliate shall propose a Code of Conduct to prevent anti-competitive activities. Each Affected or Incumbent Utility that is an electric cooperative, that plans to offer Noncompetitive Services, and that is a member of any electric cooperative that plans to offer Competitive Services shall also submit a Code of Conduct to prevent anti-competitive activities. All Codes of Conduct

shall be filed in Docket Control and be subject to Commission approval after a hearing.

B. The Code of Conduct shall address the following subjects:

1. Appropriate procedures to prevent cross subsidization between the Incumbent Utility Distribution Company and any competitive affiliates, including but not limited to the maintenance of separate books, records, and accounts;
2. Appropriate procedures to ensure that the Utility Distribution Company Incumbent or Affected Utility's competitive affiliate does not have access to confidential utility information that is not also available to other market participants;
3. Appropriate guidelines to limit the joint employment of personnel by both an Utility Distribution Company Incumbent or Affected Utility and its competitive affiliate;
4. Appropriate guidelines to govern the use of the Utility Distribution Company Incumbent or Affected Utility's name or logo by the Utility Distribution Company Incumbent or Affected Utility's competitive affiliate;
5. Appropriate procedures to ensure that the Utility Distribution Company Incumbent or Affected Utility does not give its competitive affiliate any preferential treatment such that other market participants are unfairly disadvantaged or discriminated against;
6. Appropriate policies to eliminate joint advertising, joint marketing, or joint sales by an Utility Distribution Company Incumbent or Affected Utility and its competitive affiliate;
7. Appropriate procedures to govern transactions between an Utility Distribution Company Incumbent or Affected Utility and its competitive affiliate; and
8. Appropriate policies to prevent the Utility Distribution Company Incumbent or Affected Utility and its competitive affiliate from representing that customers will receive better service as a result of the affiliation.
9. Complaints concerning violations of the Code of Conduct shall be processed under the procedures established in R14-2-212.

R14-2-16176. Disclosure of Information

- A. Each Load-Serving Entity providing either generation service or Standard Offer Service shall prepare a consumer information label that sets forth the following information:
 1. Price to be charged for generation services,
 2. Price variability information,
 3. Customer service information,
 4. Time period to which the reported information applies.
- B. Each Load-Serving Entity providing either generation service or Standard Offer Service shall provide, upon request, the following information (to the extent reasonably known):
 1. Composition of resource portfolio,
 2. Fuel mix characteristics of the resource portfolio,
 3. Emissions characteristics of the resource portfolio.
- C. The Director, Utilities Division, shall develop the format and reporting requirements for the consumer information label to ensure that the information is appropriately and accurately reported and to ensure that customers can use the labels for comparisons among Load-Serving Entities. The format developed by the Director, Utilities Division, shall be used by each Load-Serving Entity.
- D. Each Load-Serving Entity shall include the information disclosure label in a prominent position in all written marketing materials specifically targeted to Arizona. When a Load-Serving Entity advertises in nonprint media, or in written materials not specifically

- targeted to Arizona, the marketing materials shall indicate that the Load-Serving Entity shall provide the consumer information label to the public upon request.
- E.** Each Load-Serving Entity shall prepare an annual disclosure report that aggregates the resource portfolios of the Load-Serving Entity and its affiliates.
- F.** Each Load-Serving Entity shall prepare a statement of its terms of service that sets forth the following information:
1. Actual pricing structure or rate design according to which the customer with a load of less than 1 MW will be billed, including an explanation of price variability and price level adjustments that may cause the price to vary;
 2. Length and description of the applicable contract and provisions and conditions for early termination by either party;
 3. Due date of bills and consequences of late payment;
 4. Conditions under which a credit agency is contacted;
 5. Deposit requirements and interest on deposits;
 6. Limits on warranties and damages;
 7. All charges, fees, and penalties;
 8. Information on consumer rights pertaining to estimated bills, third-party billing, deferred payments, and recision of supplier switches within three days of receipt of confirmation;
 9. A toll-free telephone number for service complaints;
 - ~~10. Low-income programs and low-income rate eligibility;~~
 - ~~11-10.~~ Provisions for default service;
 - ~~12-11.~~ Applicable provisions of state utility laws; and
 - ~~13-12.~~ Method whereby customers will be notified of changes to the terms of service.
- G.** The consumer information label, the disclosure report, and the terms of service shall be distributed in accordance with the following requirements:
1. Prior to the initiation of service for any retail customer,
 2. Prior to processing written authorization from a retail customer with a load of less than 1 MW to change Electric Service Providers,
 3. To any person upon request,
 4. Made a part of the semi-annual and annual reports required by R14-2-1613.
 5. The information described in this subsection shall be posted on any electronic information medium of the Load-serving Entities.
- H.** Failure to comply with the rules on information disclosure or dissemination of inaccurate information may result in suspension or revocation of certification or other penalties as determined by the Commission.
- I.** The Commission shall establish a consumer information advisory panel to review the effectiveness of the provisions of this Section and to make recommendations for changes in the rules.

~~R14-2-1618. Environmental Portfolio Standard~~

- A.** ~~Upon the effective implementation of a Commission-approved Environmental Portfolio Standard Surcharge tariff, any Load-Serving Entity selling electricity or aggregating customers for the purpose of selling electricity under the provisions of this Article must derive at least .2% of the total retail energy sold from new solar resources or environmentally friendly renewable electricity technologies, whether that energy is~~

~~purchased or generated by the seller. Solar resources include photovoltaic resources and solar thermal resources that generate electricity. New solar resources and environmentally-friendly renewable electricity technologies are those installed on or after January 1, 1997.~~

- ~~1. Electric Service Providers, that are not UDCs, are exempt from portfolio requirements until 2004, but could voluntarily elect to participate. ESPs choosing to participate would receive a pro-rata share of funds collected from the Environmental Portfolio Surcharge delineated in R14-2-1618.A.2 for portfolio purposes to acquire eligible portfolio systems or electricity generated from such systems.~~
- ~~2. Utility Distribution Companies would recover part of the costs of the portfolio standard through current System Benefits Charges, if they exist, including a reallocation of demand side management funding to portfolio uses. Additional portfolio standard costs will be recovered by a customer Environmental Portfolio Surcharge on the customers' monthly bill. The Environmental Portfolio Surcharge shall be assessed monthly to every metered and/or non-metered retail electric service. This monthly assessment will be the lesser of \$0.000875 per kWh or:
a. Residential Customers: \$.35 per service;
b. Non-Residential Customers: \$13 per service;
c. Non-Residential Customers whose metered demand is 3,000 kW or more for three consecutive months: \$39.00 per service. In the case of unmetered services, the Load-Serving Entity shall, for purposes of billing the Environmental Portfolio Standard Surcharge and subject to the caps set forth above, use the lesser of (i) the load profile or otherwise estimated kWh required to provide the service in question; or (ii) the service's contract kWh.~~
- ~~3. Customer bills shall reflect a line item entitled "Environmental Portfolio Surcharge, mandated by the Corporation Commission."~~
- ~~4. Utility Distribution Companies or ESPs that do not currently have a renewables program may request a waiver or modification of this Section due to extreme circumstances that may exist.~~

B. The portfolio percentage shall increase after December 31, 2000.

- ~~1. Starting January 1, 2001, the portfolio percentage shall increase annually and shall be set according to the following schedule:~~

YEAR	PORTFOLIO PERCENTAGE
2001	.2%
2002	.4%
2003	.6%
2004	.8%
2005	1.0%
2006	1.05%
2007-2012	1.1%

- ~~2. The Commission would continue the annual increase in the portfolio percentage after December 31, 2004, only if the cost of environmental portfolio electricity has declined to a Commission approved cost/benefit point. The Director, Utilities Division shall establish, not later than January 1, 2003, an Environmental Portfolio Cost Evaluation~~

~~Working Group to make recommendations to the Commission of an acceptable portfolio electricity cost/benefit point or portfolio kWh cost impact maximum that the Commission could use as a criteria for the decision to continue the increase in the portfolio percentage. The recommendations of the Working Group shall be presented to the Commission not later than June 30, 2003. In no event, however, shall the Commission increase the surcharge caps as delineated in R14-2-1618(A)(2).~~

3. ~~The requirements for the phase-in of various technologies shall be:~~
 - a. ~~In 2001, the Portfolio kWh makeup shall be at least 50 percent solar electric, and no more than 50 percent other environmentally friendly renewable electricity technologies or solar hot water or R&D on solar electric resources, but with no more than 10 percent on R&D.~~
 - b. ~~In 2002 and 2003, the Portfolio kWh makeup shall be at least 50 percent solar electric, and no more than 50 percent other environmentally friendly renewable electricity technologies or solar hot water or R&D on solar electric resources, but with no more than 5 percent on R&D.~~
 - c. ~~In 2004, through 2012, the portfolio kWh makeup shall be at least 60 percent solar electric with no more than 40 percent solar hot water or other environmentally friendly renewable electricity technologies.~~

~~C. Load-Serving Entities shall be eligible for a number of extra credit multipliers that may be used to meet the portfolio standard requirements. Extra credits may be used to meet portfolio requirements and extra credits from solar electric technologies will also count toward the solar electric fraction requirements in R14-2-1618(B)(3). With the exception of the Early Installation Extra Credit Multiplier, which has a five-year life from operational start-up, all other extra credit multipliers are valid for the life of the generating equipment.~~

1. ~~Early Installation Extra Credit Multiplier: For new solar electric systems installed and operating prior to December 31, 2003, Load-Serving Entities would qualify for multiple extra credits for kWh produced for five years following operational start-up of the solar electric system. The five-year extra credit would vary depending upon the year in which the system started up, as follows:~~

YEAR	EXTRA CREDIT MULTIPLIER
1997	.5
1998	.5
1999	.5
2000	.4
2001	.3
2002	.2
2003	.1

~~Eligibility to qualify for the Early Installation Extra Credit Multiplier would end in 2003. However, any eligible system that was operational in 2003 or before would still be allowed the applicable extra credit for the full five years after operational start-up.~~

2. ~~Solar Economic Development Extra Credit Multipliers: There are two equal parts to this multiplier, an in-state installation credit and an in-state content multiplier.~~
 - a. ~~In-State Power Plant Installation Extra Credit Multiplier: Solar electric power plants~~

- installed in Arizona shall receive a .5 extra credit multiplier.
- b. ~~In-State Manufacturing and Installation Content Extra Credit Multiplier:~~ Solar electric power plants shall receive up to a .5 extra credit multiplier related to the manufacturing and installation content that comes from Arizona. The percentage of Arizona content of the total installed plant cost shall be multiplied by .5 to determine the appropriate extra credit multiplier. So, for instance, if a solar installation included 80% Arizona content, the resulting extra credit multiplier would be .4 (which is .8 X .5).
3. ~~Distributed Solar Electric Generator and Solar Incentive Program Extra Credit Multiplier:~~ Any distributed solar electric generator that meets more than one of the eligibility conditions will be limited to only one .5 extra credit multiplier from this subsection. Appropriate meters will be attached to each solar electric generator and read at least once annually to verify solar performance.
- a. ~~Solar electric generators installed at or on the customer premises in Arizona.~~ Eligible customer premises locations will include both grid-connected and remote, non-grid-connected locations. In order for Load-Serving Entities to claim an extra credit multiplier, the Load-Serving Entity must have contributed at least 10% of the total installed cost or have financed at least 80% of the total installed cost.
- b. ~~Solar electric generators located in Arizona that are included in any Load-Serving Entity's Green Pricing program.~~
- c. ~~Solar electric generators located in Arizona that are included in any Load-Serving Entity's Net Metering or Net Billing program.~~
- d. ~~Solar electric generators located in Arizona that are included in any Load-Serving Entity's solar leasing program.~~
- e. ~~All Green Pricing, Net Metering, Net Billing, and Solar Leasing programs must have been reviewed and approved by the Director, Utilities Division in order for the Load-Serving Entity to accrue extra credit multipliers from this subsection.~~
4. ~~All multipliers are additive, allowing a maximum combined extra credit multiplier of 2.0 in years 1997-2003, for equipment installed and manufactured in Arizona and either installed at customer premises or participating in approved solar incentive programs. So, if a Load-Serving Entity qualifies for a 2.0 extra credit multiplier and it produces 1 solar kWh, the Load-Serving Entity would get credit for 3 solar kWh (1 produced plus 2 extra credit).~~
- D. ~~Load-Serving Entities selling electricity under the provisions of this Article shall provide reports on sales and portfolio power as required in this Article, clearly demonstrating the output of portfolio resources, the installation date of portfolio resources, and the transmission of energy from those portfolio resources to Arizona consumers. The Commission may conduct necessary monitoring to ensure the accuracy of these data. Reports shall be made according to the Reporting Schedule in R14-2-1613(B).~~
- E. ~~Photovoltaic or solar thermal electric resources that are located on the consumer's premises shall count toward the Environmental Portfolio Standard applicable to the current Load-Serving Entity serving that consumer unless a different Load-Serving Entity is entitled to receive credit for such resources under the provisions of R14-2-1618(C)(3)(a).~~
- F. ~~Any solar electric generators installed by an Affected Utility to meet the environmental portfolio standard shall be counted toward meeting renewable resource goals for Affected Incumbent Utilities established in Decision No. 58643.~~

- ~~G. Any Load-Serving Entity that produces or purchases any eligible kWh in excess of its annual portfolio requirements may save or bank those excess kWh for use or sale in future years. Any eligible kWh produced subject to this rule may be sold or traded to any Load-Serving Entity that is subject to this rule. Appropriate documentation, subject to Commission review, shall be given to the purchasing entity and shall be referenced in the reports of the Load-Serving Entity that is using the purchased kWh to meet its portfolio requirements.~~
- ~~H. Environmental Portfolio Standard requirements shall be calculated on an annual basis, based upon electricity sold during the calendar year.~~
- ~~I. A Load-Serving Entity shall be entitled to receive a partial credit against the portfolio requirement if the Load-Serving Entity or its affiliate owns or makes a significant investment in any solar electric manufacturing plant that is located in Arizona. The credit will be equal to the amount of the nameplate capacity of the solar electric generators produced in Arizona and sold in a calendar year times 2,190 hours (approximating a 25% capacity factor).~~
- ~~1. The credit against the portfolio requirement shall be limited to the following percentages of the total portfolio requirement:~~
- ~~2001: Maximum of 50% of the portfolio requirement~~
- ~~2002: Maximum of 25% of the portfolio requirement~~
- ~~2003 and on: Maximum of 20% of the portfolio requirement~~
- ~~2. No extra credit multipliers will be allowed for this credit. In order to avoid double-counting of the same equipment, solar electric generators that are used by other Load-Serving Entities to meet their Arizona portfolio requirements will not be allowable for credits under this Section for the manufacturer/Electric Service Provider to meet its portfolio requirements.~~
- ~~J. The Director, Utilities Division shall develop appropriate safety, durability, reliability, and performance standards necessary for solar generating equipment and environmentally-friendly renewable electricity technologies and to qualify for the portfolio standard. Standards requirements will apply only to facilities constructed or acquired after the standards are publicly issued.~~
- ~~K. A Load-Serving Entity shall be entitled to meet up to 20% of the portfolio requirement with solar water heating systems or solar air conditioning systems purchased by the Load-Serving Entity for use by its customers, or purchased by its customers and paid for by the Load-Serving Entity through bill credits or other similar mechanisms. The solar water heaters must replace or supplement the use of electric water heaters for residential, commercial, or industrial water heating purposes. For the purposes of this rule, solar water heaters will be credited with 1 kWh of electricity produced for each 3,415 British Thermal Units of heat produced by the solar water heater and solar air conditioners shall be credited with kWhs equivalent to those needed to produce a comparable cooling load reduction. Solar water heating systems and solar air conditioning systems shall be eligible for Early Installation Extra Credit Multipliers as defined in R14-2-1618(C)(1) and Solar Economic Development Extra Credit Multipliers as defined in R14-2-1618(C)(2)(b).~~
- ~~L. A Load-Serving Entity shall be entitled to meet the portfolio requirement with electricity produced in Arizona by environmentally friendly renewable electricity technologies that are defined as in-state landfill gas generators, wind generators, and biomass generators, consistent with the phase in schedule in R14-2-1618(B)(3). Systems using such~~

Appendix B

~~technologies shall be eligible for Early Installation Extra Credit Multipliers as defined in R14-2-1618(C)(1) and Solar Economic Development Extra Credit Multipliers as defined in R14-2-1618(C)(2)(b).~~